



CDIC

Canada Deposit
Insurance Corporation

2013

Annual Report

CDIC—Protecting a lifetime of savings

Canada

CDIC Mandate

As one of five federal agencies that make up Canada's financial safety net,* our role and mandate are unique: to provide insurance against the loss of part or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada—for the benefit of those with deposits in CDIC member institutions. Moreover, we carry out this mandate in such a way as to minimize the Corporation's exposure to loss. Further information about CDIC is on our website (www.cdic.ca).

CDIC Deposit Insurance Coverage

What's covered?

CDIC insures eligible deposits held in each member institution up to a maximum of \$100,000 (principal and interest combined) per depositor, for each of the following:

- savings held in one name
- savings held in more than one name (joint deposits)
- savings held in trust for another person
- savings held in Registered Retirement Savings Plans (RRSPs)
- savings held in Registered Retirement Income Funds (RRIFs)
- savings held for paying realty taxes on mortgaged property
- savings held in Tax-Free Savings Accounts (TFSA's)

Depositors are responsible for ensuring that the member institution's records include all information required for the separate protection of these deposits (see CDIC's website at www.cdic.ca for details).

What's not covered?

CDIC deposit insurance does not protect all accounts and financial products. For example, mutual funds, stocks and foreign currency deposits, including those in U.S. dollars, are not covered by CDIC.

What's an eligible deposit?

Eligible deposits include:

- savings accounts and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits with an original term to maturity of five years or less
- money orders, travellers' cheques and bank drafts issued by CDIC members and cheques certified by CDIC members
- debentures issued by loan companies that are CDIC members

Deposits must be payable in Canada, in Canadian currency.

Contact Us

CDIC is committed to promoting awareness about deposit insurance. You can reach us by phone, e-mail, fax or letter:

Head Office

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Insurance Corporation
50 O'Connor Street, 17th Floor
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Toronto Office

Canada Deposit
Insurance Corporation
1200-79 Wellington Street West
P.O. Box 156
Toronto, Ontario M5K 1H1

Toll-free telephone service:
1-800-461-CDIC (2342)

Website: www.cdic.ca

E-mail: info@cdic.ca

Fax: 613-996-6095

* Canada's financial safety net agencies are: the Bank of Canada, CDIC, the Department of Finance, the Financial Consumer Agency of Canada, and the Office of the Superintendent of Financial Institutions.

Five-Year Financial and Statistical Summary

For the Years Ending March 31 ^a	2013	2012	2011	2010	2009
Selected Balance Sheet Items (C\$ millions)					
Cash and investments	2,561	2,441	2,209	1,954	1,771
Provision for insurance losses	1,250	1,150	1,100	1,100	800
Retained earnings	1,316	1,294	1,113	858	960
Selected Income Statement Items (C\$ millions)					
Premiums	120 ^b	224	253	198	92
Investment income	39	40	33	31	54
Operating expenses	36	32	31	31	26
Increase in provision for insurance losses	100	50	-	300	149
Total comprehensive income (loss)	23 ^b	180	255	(102)	(37)
Member Institutions (Number)					
Domestic banks and subsidiaries	49	46	44	42	41
Domestic trust and loan companies and associations	16	17	21	20	20
Subsidiaries of foreign financial institutions	18	21	20	20	20
Total number of institutions	83	84	85	82	81
Total Insured Deposits^c (C\$ billions)					
Growth rate of insured deposits (%)	3.9%	3.0%	2.4%	15.2%	7.3%
Ex Ante Funding (C\$ billions)					
Basis points of insured deposits	40	39	37	33	34
Employees (Number)					
Permanent employees ^d	102	99	96	96	97
Borrowing Limit^e (C\$ billions)					
	19	18	17	17	6

- a Financial figures are presented on a consolidated basis and include the results of CDIC and of Adelaide Capital Corporation (ACC), a special purpose entity. Actual results from 2009 and 2010 reflect Generally Accepted Accounting Principles (GAAP) in Canada, while 2011, 2012 and 2013 results were prepared in accordance with International Financial Reporting Standards (IFRS).
- b Premium revenue and total comprehensive income decreased in 2012/2013 due to a one-time premium incentive offered to members who demonstrated early compliance with CDIC's *Data and System Requirements By-law*.
- c Insured deposits are calculated at April 30 each year. The amounts presented for the years ended March 31 are therefore reflective of the previous April 30 calculation.
- d Represents the number of full-time, permanent employees at year end.
- e The *Budget Implementation Act, 2009*, increased CDIC's borrowing limit to \$15 billion from \$6 billion, with such amount adjusted annually to reflect the growth of insured deposits. As at December 31, 2012, CDIC's adjusted borrowing limit was \$19 billion.

Highlights of 2012/2013

- As at March 31, 2013, CDIC insured approximately \$650 billion in deposits at 83 member institutions.
- Overall, CDIC's membership recorded strong performances in their 2012 fiscal year, registering record net profits, improved asset quality and maintaining solid capital ratios. At the same time, members continue to carry sensitivity to uncertain economic factors.
- In 2012/2013, CDIC took a major step forward in its ability to quickly determine the amount of insured deposits owing to depositors in the event of a failure. Member institutions are required to put in place certain capabilities that reduce the time needed by CDIC to calculate the amount of insured savings for each depositor. All CDIC member institutions need to have these capabilities in place by June 30, 2013; more than half have already done so.
- CDIC expanded its preparedness activities by increasing the level of resources focused on building its capacity to resolve its largest and most complex members. A first set of resolution plans were developed for our largest members based on the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions*.
- A new Long-Term Public Awareness Strategy and Plan was launched this year with a continued focus on promoting awareness of CDIC, the \$100,000 coverage limit, and the key financial products that are covered and not covered by CDIC. The new strategy leverages financial advisors and includes advertising campaigns through such media as print and online advertising, and search engine marketing.





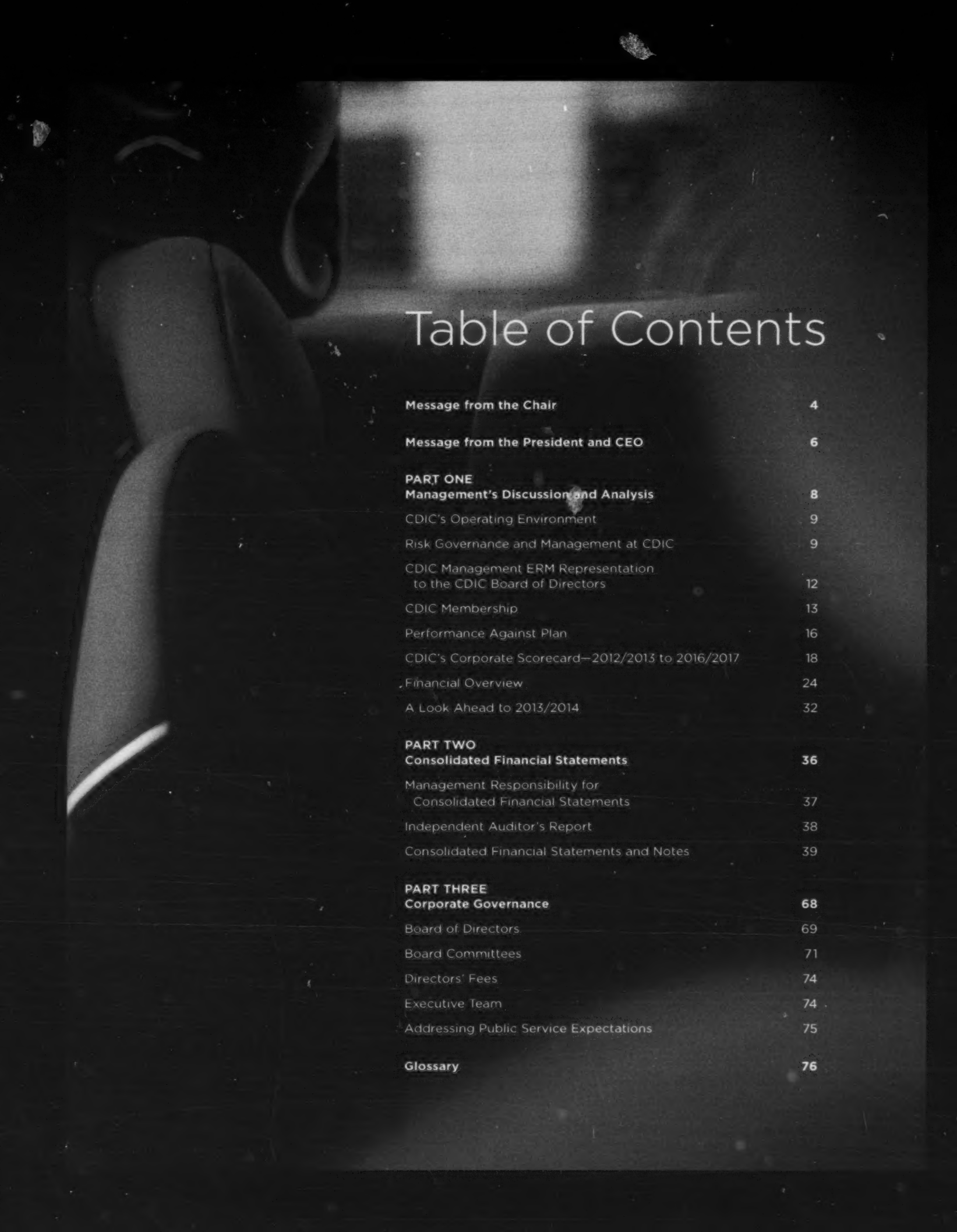
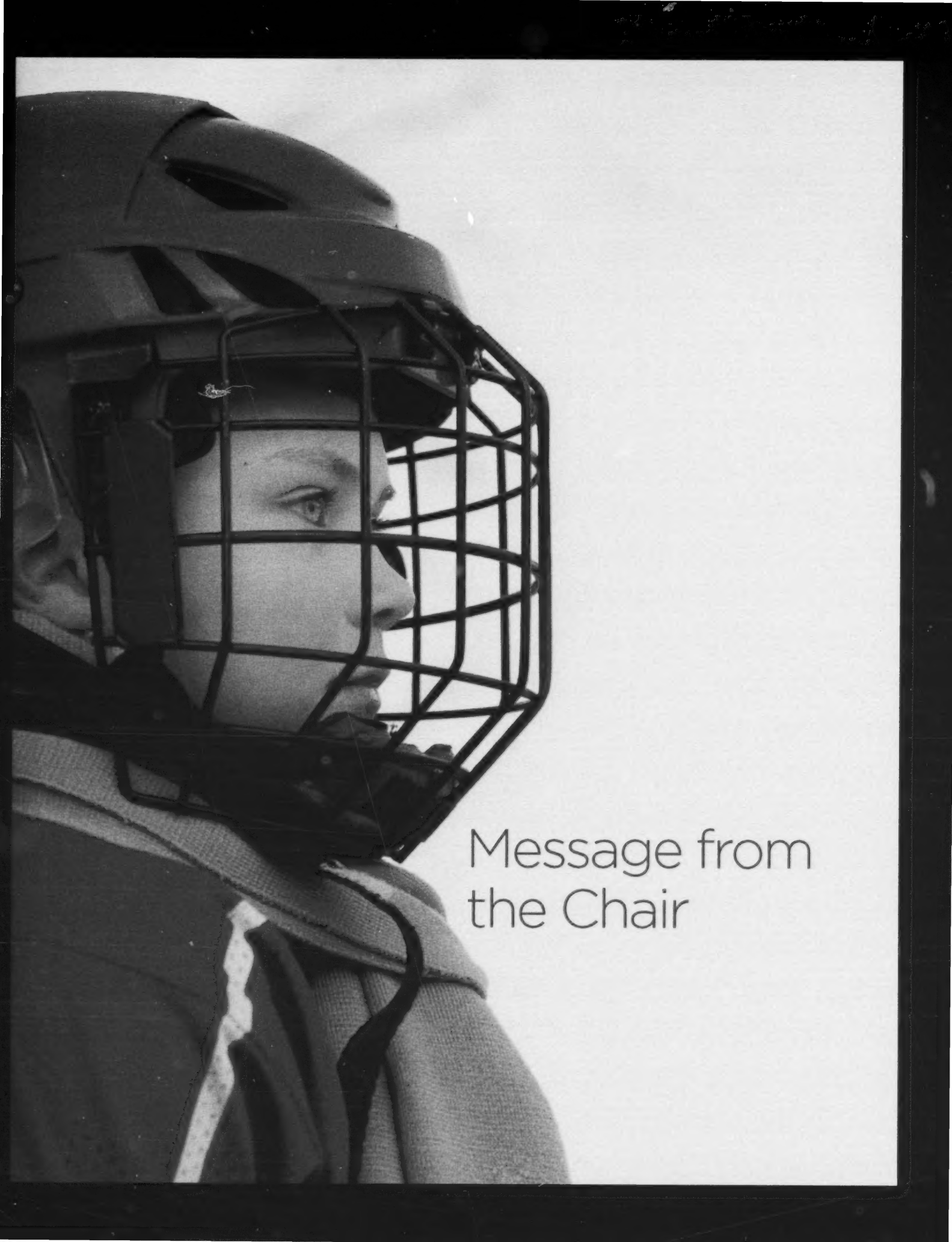


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Message from
the Chair

Message from the Chair



Amidst an uncertain global economic climate, this past year CDIC continued to take major steps in enhancing our preparedness activities to effectively handle a failure of a member institution regardless of size or complexity. We continued to staff our new Division, dedicated to our largest and most complex members, and made significant enhancements to our monitoring and intervention systems.

Ongoing economic challenges have triggered a wave of financial sector regulatory reform initiatives around the world, led by the Financial Stability Board (FSB). Consistent with international standards developed by the FSB, CDIC undertook this year to develop and maintain resolution plans for our largest financial

institutions. This highlights CDIC's contribution to ensuring that Canada has a robust and effective resolution regime in place.

During the year, CDIC assessed its operations against the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions* and also participated in two FSB peer group assessments. The assessments confirm that CDIC is well positioned to respond to potential failures. However, there is still much work to be done in collaboration with partners both domestically and internationally.

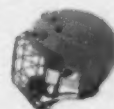
In February of this year, CDIC hosted the Executive Council and Standing Committee Meetings of the International Association of Deposit Insurers (IADI), as well as the first-ever Conference of IADI's Regional Committee of North America. Guided by the theme of cross-border resolutions, deliberations involved over 100 delegates from more than 30 countries. These meetings laid important groundwork for how resolution authorities around the world will respond if large and complex banks, whose operations span many countries or continents, run the risk of failure.

I would like to thank the entire Board for their contributions this year, in particular, Les Cannam who left the Board in 2012/2013. In addition, the Board welcomed Angela Tu Weissenberger.

As I look back on a challenging year marked by major accomplishments by CDIC, I extend my appreciation to Michèle Bourque, President and Chief Executive Officer, and the excellent management team and employees of CDIC.

A handwritten signature in dark ink, appearing to read "B. P. Davies". The signature is fluid and cursive.

Bryan P. Davies





Message from the
President and CEO

Message from the President and CEO



The past year has been one of change and growth for CDIC. At the midpoint in my term as President and CEO, there is much for me to reflect on, particularly on some key initiatives CDIC has undertaken and progress made on a number of fronts that position us well in the future.

Over the past year, CDIC has taken a significant step forward in increasing our capacity to make prompt reimbursements or transfers to depositors in the event of a failed member institution with most of our members implementing our *Data and System Requirements By-law*. This by-law was designed to significantly reduce the amount of time required by CDIC to determine the amount of insured deposits owing to depositors. While all members are required to comply with the by-

law by June 30, 2013, over one half implemented these requirements a full year earlier. We also continued to make ongoing improvements to our intervention systems enabling us to handle a failure of a member institution with 10 million depositors, which was a significant achievement.

A number of initiatives were undertaken during the year in light of CDIC's role as the resolution authority for its member institutions within Canada. These include the development of first-generation resolution plans for our largest member institutions. Having resolution plans in place for these institutions enhances our capacity to use our powers to effectively resolve any institution, should the need arise. This work requires ongoing support and collaboration from our member institutions, our safety net partners and our international counterparts.

This past year, CDIC launched a new Long-Term Public Awareness Strategy and Plan focused on print and online advertising, and on leveraging the relationship that financial advisors have with depositors. We also now have a presence on social media, including YouTube and Twitter. Not only will we continue to monitor social media, but we will also be set up to use it to communicate vital information in the event of a member institution failure.

Throughout 2012/2013, we managed our operating expenses in a prudent manner. We continued our efforts to improve efficiencies through the realignment of certain functions. In doing so, we have been able to limit operating expense increases largely to those areas supporting new large bank resolution initiatives.

I have greatly benefited from another year of direction from our Board of Directors, under the leadership of its Chair, Bryan Davies. The Board's engagement and advice have been invaluable as together we tackle the important issues facing the Corporation.

I also have the privilege to work with a dedicated and talented Management team and staff. Our efforts and our successes on all fronts reflect their hard work and I thank them sincerely.

Looking ahead, I see that our accomplishments this year will set us in good stead for the very hard work that lies ahead as we work with our partner agencies, member institutions, and with regulatory authorities and organizations around the world, to continue to protect depositors and contribute to financial stability within Canada.

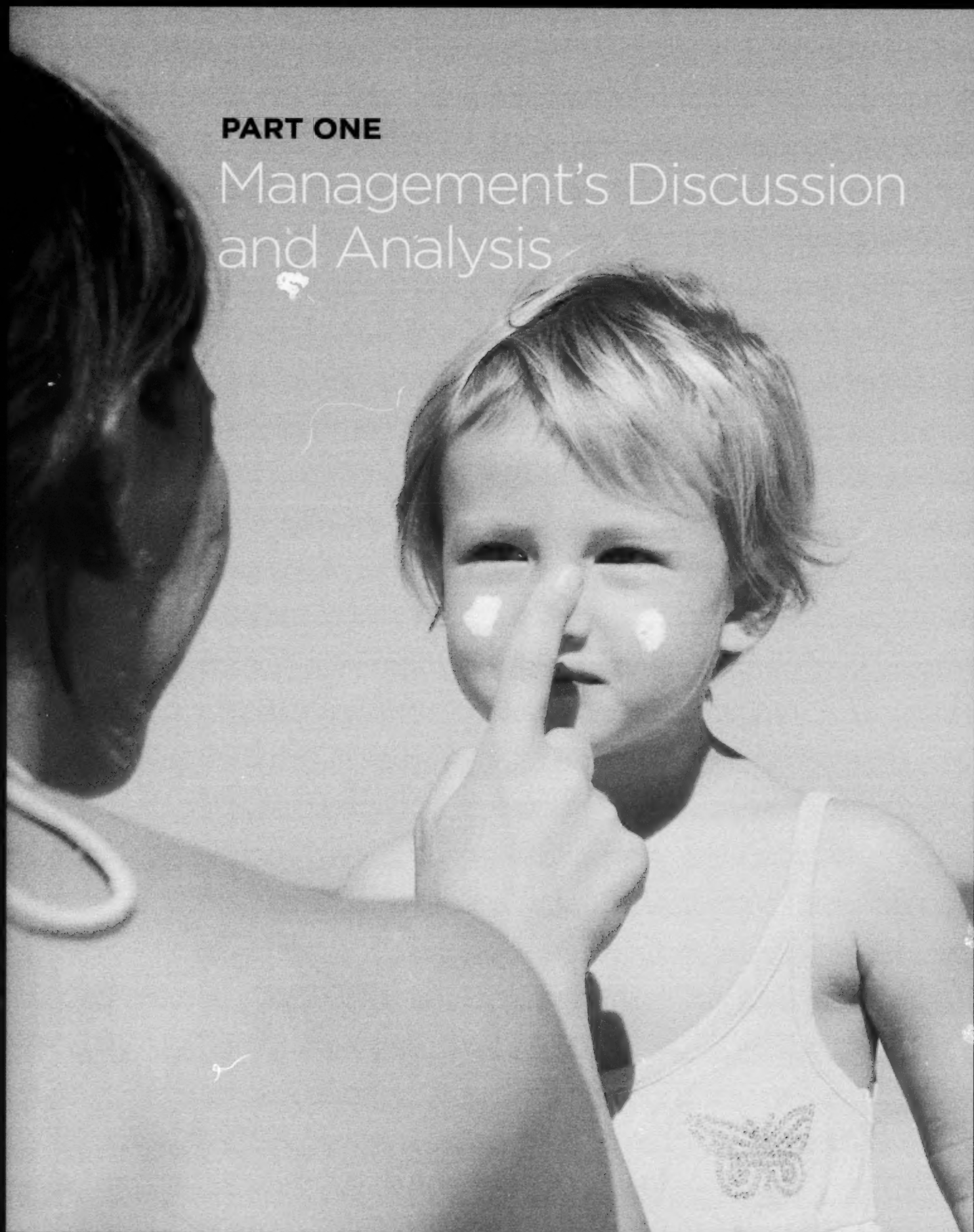
A handwritten signature in dark ink, reading 'M Bourque' in a cursive style.

Michèle Bourque



PART ONE

Management's Discussion
and Analysis



Management's Discussion and Analysis

CDIC's Operating Environment

Within Canada . . .

Global headwinds, such as the weak U.S. economy and the recession in Europe, continue to constrain economic growth in Canada, including Canadian exports. Within Canada, although the household debt burden continues to rise, there are signs of slowing in household spending. Recent changes introduced by the federal government regarding insured mortgages—as well as guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) to address residential mortgage lending—have been driving forces in the cooling of real estate markets, thus dampening growth in mortgage markets.

Internationally . . .

The 2008 financial crisis demonstrated that the failure of large financial institutions can have serious negative effects, not only domestically, but also internationally, given the global activities undertaken by these institutions. In response, a number of measures and regulatory reforms were initiated in an effort to strengthen financial institutions globally and minimize the potential impact of failures on financial stability and on taxpayers. These reforms included the introduction of Basel III requirements, aimed at improving the quantity and quality of capital, and bank liquidity. Countries around the world are also in the process of implementing the Financial Stability Board's (FSB's) *Key Attributes of Effective Resolution Regimes for Financial Institutions* (the *Key Attributes*), issued in 2011, designed to ensure that financial institution failures can be resolved in a manner that maintains continuity of their vital economic functions and avoids taxpayer exposure to loss.

At CDIC . . .

Although effective regulation and supervision can reduce the impact and likelihood of potential failures and increase the stability of the financial system, they cannot eliminate all elements of risk. As the resolution authority for its member institutions within Canada, the Canada Deposit Insurance Corporation (CDIC) is putting in place a robust large bank resolution framework. In addition, CDIC is assisting in the development of the FSB assessment methodology for the *Key Attributes*. While CDIC's work is progressing well, significant effort is still required to enhance the capabilities to effectively resolve a large complex bank.

Risk Governance and Management at CDIC

CDIC has in place an Enterprise Risk Management (ERM) program to identify and manage key risks that could prevent the Corporation from achieving its objectives. The program includes a detailed annual assessment of its most significant risks, as well as quarterly updates to identify and assess any significant changes related to these risks.

As at March 31, 2013, ten significant risks have been identified across four categories: Insurance, Operational, Financial, and Reputation. A summary of the assessment of the Corporation's key risks is presented in the table below.

PART ONE

Management's Discussion and Analysis

Summary of Management's Assessment of CDIC's Significant Risks

as at March 31, 2013

	Rating	Trend
Insurance Risks		
Insurance Powers Risk: The risk that CDIC does not have the necessary powers to support the management of its insurance risk in accordance with CDIC's statutory objects.		—
Assessment Risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		—
Intervention Risk: The risk that CDIC cannot or does not take timely and effective action with respect to an unacceptable level of insurance risk posed by a member institution, or with respect to failed member institutions.		▼
Operational Risks		
People Risk: The risk resulting from inadequacies in competency, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		▼
Information Risk: The risk that timely, accurate and relevant information is not available to facilitate informed decision making and/or the exercise of effective oversight.		▲
Technology Risk: The risk that CDIC's technology does not appropriately support the achievement of its statutory objects and the conduct of its affairs.		—
Process Risk: The risk resulting from the incorrect execution of, a breakdown in, or a gap in, a policy, practice or control respecting CDIC's processes.		—
Legal/Compliance Risk: The risk that CDIC fails to identify, consider, fulfill or comply with its legal and other obligations and requirements, in the conduct of its affairs.		—
Financial Risk		
Financial Risk: The risk associated with managing CDIC's assets and liabilities, both on- and off-balance sheet.		—
Reputation Risk		
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.		▲

Legend

Residual Risk Ratings:

Acceptable—meaning that the residual risk is acceptable and appropriate risk management practices are in place.

Cautionary—meaning that the residual risk warrants close monitoring and/or that previously identified initiatives to enhance the management of the risk are not yet fully implemented.

Serious Concern—meaning that significant gaps may exist in risk management practices and controls and immediate action is required from Management.

Residual Risk Trends:

— Stable risk rating ▼ Decreasing risk rating ▲ Increasing risk rating

Based on its most recent self-assessment exercise, Management has concluded that although the Corporation's overall risk remains acceptable, certain risks are assessed as cautionary as at March 31, 2013, and warrant additional attention and monitoring by CDIC. These are: intervention, people, and process risks. Moreover, information risk and reputation risk, while assessed as acceptable, are showing an increasing trend. These risks are discussed in greater detail below.

Intervention risk is assessed as cautionary mainly due to CDIC's large bank resolution initiatives, which are still in the early stages of implementation. Further, all members are required to fully implement CDIC's *Data and System Requirements By-law* by June 30, 2013. Until then, CDIC may not be in an optimal position to implement a bridge bank or conduct a payment/transfer of insured deposits for the failure of a member institution of any size with the speed and sophistication it plans to achieve. The Corporation has made good progress in this regard; to date 44 members (of 83) have been found to be compliant. The decreasing trend in intervention risk reflects that initiatives are underway to continue to build our large bank resolution capabilities, as well as progress related to member compliance with our *Data and System Requirements By-law*.

People risk remains cautionary, reflecting challenges CDIC is facing with respect to staffing its new Division with the required expertise. The decreasing trend shows that CDIC has put in place enhanced recruitment programs to attract the required candidates.

Process risk is also assessed as cautionary as a result of the development of many new processes within the Corporation. Moreover, new employees, new roles and new responsibilities all have an impact on process risk, highlighting the need for CDIC to have adequate controls in place, and to appropriately communicate and monitor them.

Information risk is assessed as acceptable with an increasing trend. The trend reflects our complex resolution work; specifically that it requires the Corporation to collect and analyze large volumes of information from the large member institutions. This work is still in the early stages. We are developing the framework for identifying the types of resolution-critical data that are needed from our members to support our ongoing work in this area.

Reputation risk is assessed as acceptable with an increasing trend. As standards in deposit insurance continue to evolve, expectations for the organization are raised, and may result in additional requirements for our members. This risk continues to be mitigated, however, by our focus on intervention readiness and ongoing communication with member institutions.

PART ONE

Management's Discussion and Analysis

CDIC Management ERM Representation to the CDIC Board of Directors

June 12, 2013

This representation is provided to support the Board of Directors in fulfilling its responsibilities under Principle 16 of the Board Charter.

During CDIC's fiscal year 2012/2013, Management has, using an enterprise risk management process:

- Identified and assessed the significant risks to which CDIC is exposed and provided the Audit Committee of the Board of Directors and the Board of Directors with reports designed to enable them to understand these risks;
- Reviewed CDIC's policies governing each significant risk to ensure that they continue to be appropriate and prudent; and
- Identified initiatives to enhance the management of each significant risk and monitored the progress in completing each initiative.

Based on the work undertaken by Management during CDIC's 2012/2013 fiscal year and our knowledge of the Corporation's affairs as at March 31, 2013, we represent that:

- CDIC has appropriate and prudent risk management policies governing the management of its risks, and these policies are being adhered to; and
- CDIC has an effective enterprise risk management process.

Based on this work, Management has concluded that, overall, CDIC's risks remain acceptable, although intervention, people, and process risks are assessed as cautionary, meaning that the residual risk in those areas warrants close monitoring. Management has developed initiatives to closely monitor and further mitigate these risks.

In arriving at our conclusion, Management has exercised prudent judgment, caused a reasonable amount of review to take place and applied the concept of significance in the manner contemplated under Principle 16 of its Board Charter.



Michèle Bourque
President and Chief Executive Officer



Dean A. Cosman
Vice-President, Finance and Administration, and Chief Financial Officer
Chairperson, Enterprise Risk Management Committee

CDIC Membership

As at March 31, 2013, CDIC had 83 member institutions, a decrease of one from the previous year. During the year, one institution became a new CDIC member (Concentra Trust), one ceased to be a member (BofA Canada Bank) and two subsidiaries of Laurentian Bank of Canada amalgamated (M.R.S. Trust Company and B2B Trust, subsequently becoming B2B Bank).

The year 2012 was characterized by several acquisitions and amalgamations of CDIC members. Recent industry consolidation was partly related to the very competitive operating environment as well as some foreign banks divesting of their Canadian subsidiaries.

Overall, CDIC's membership recorded strong financial performances in their 2012 fiscal year and registered record net profits, improved asset quality and maintained solid capital ratios.

Financial Performance

Profit and Return on Average Shareholders' Equity

CDIC members earned a combined total net income of \$31.7 billion in fiscal 2012, up from \$25.6 billion in the prior year (a 24% increase). Stronger profitability was mainly driven by loan growth and higher trading revenue, which more than offset a 21% increase in provisions for credit losses (PCLs). At \$7.4 billion, PCLs nonetheless remained well below their peak level of 2009. While 2012 represented a record year in terms of absolute profits, return on average shareholders' equity (ROAE) remained well below the pre-crisis peak of 2006, as institutions improved capital levels in preparation for the introduction of the Basel III capital regime.

Net interest income (before PCLs) and non-interest income increased by 14% and 1%, respectively, while operating expenses rose by 5%. It is worth noting that a portion of the increase in both net income and net interest income was attributable to the start of reporting under International Financial Reporting

CDIC Member Peer Groups

Member institutions consolidate to 52 distinct groups on the basis of affiliation with a parent. For the purpose of analysis, each member institution or affiliated group is assigned to a peer group based on similar size, geographic reach of its operations and/or its primary business activities.

International—business activities extend across all business lines, includes some international exposure (largest banks)

Regional—business activities extend across most business lines but are geographically focused with some exposure to other region of Canada

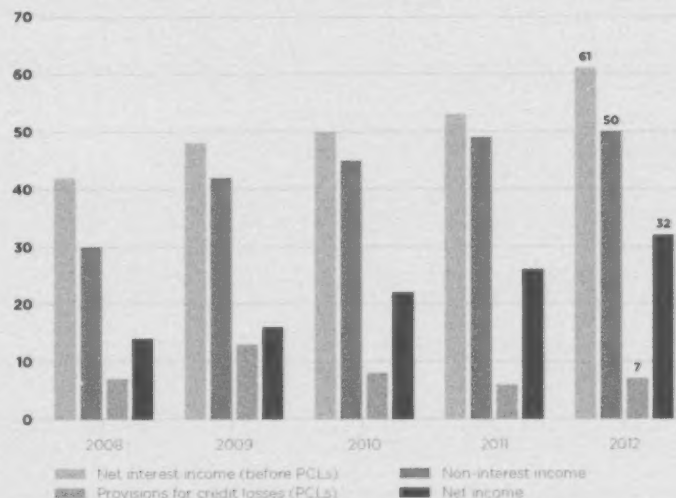
Residential—main business line is residential mortgages

Commercial—main business lines are business loans or commercial mortgages

Consumer—main business lines are retail and investment loans to individuals

Fee Income—revenues largely derived from services and related fees, although these members do not necessarily operate in similar business lines

Revenue, Provisions and Profits of CDIC Members, 2008-2012
(C\$ billions)



PART ONE

Management's Discussion and Analysis

Standards (IFRS) by the International peer group (Canada's five largest banks).

ROAE increased to 15.9% in 2012. Almost all peer groups experienced an improvement in this measure in 2012. The ROAE varies considerably by peer group and individual member due to market conditions in their respective sectors of concentration, varying profitability levels, and degree of leverage utilized.

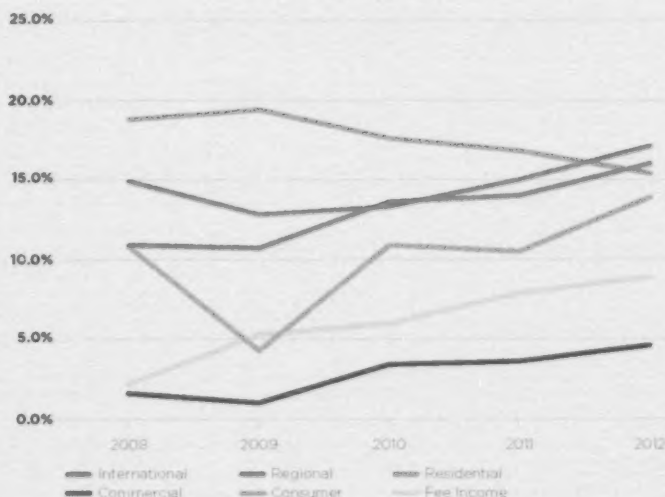
Asset Growth and Quality

Total assets grew by 11% (7% net of IFRS impacts) to \$3.7 trillion. Residential mortgages were the largest contributor to growth. While the increase in residential mortgages was evenly split between insured and uninsured mortgages (excluding the effects of IFRS), the Residential, Commercial and Regional peer groups experienced fast growth in uninsured residential mortgages during the year.

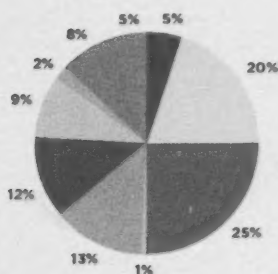
Residential mortgages held on the balance sheet of CDIC members totalled more than \$900 billion, representing 25% of the membership's on-balance sheet assets. Other large asset classes included securities (21% of total assets, 31% of which were Canadian government securities), personal loans (13%), and commercial loans (12%).

The overall asset quality of the membership further improved in 2012. Impaired assets decreased both on a gross basis (0.4% of total assets, down 18 basis points year over year) and on a net of allowances basis (1.0% of shareholders' equity, down 60 basis points). However, a few members have significantly higher than average net impaired asset ratios, which places them in a relatively weaker position should conditions deteriorate.

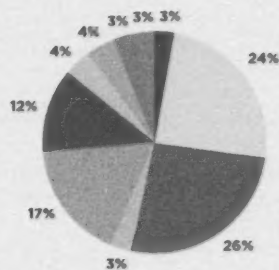
**Return on Average Shareholders' Equity (ROAE)
by Peer Group, 2008-2012**



**Asset Mix—
International Peer Group* (%)
2012 (C\$3.2 trillion)**



**Asset Mix—
All Other Peer Groups* (%)
2012 (C\$430 billion)**



- Cash and equivalent
- Securities
- Residential mortgage loans
- Commercial mortgage loans
- Personal/Consumer loans
- Commercial loans
- Reverse repurchase agreements
- Other loans and bankers' acceptances
- Derivatives related amounts
- Other assets

*As at members' fiscal year-end

Some members have higher concentrations of risky assets (relative to equity) such as construction loans, commercial mortgages, or residential mortgages to weaker borrowers. These assets can experience greater than average arrears or impairment under more difficult economic circumstances.

Liquidity Levels

Liquidity levels remained appropriate, although member institutions were holding slightly lower balances of more liquid assets compared to a year ago. Cash and government securities covered 36% of demand and notice deposits, down from 44% in the same period last year. Demand and notice deposits represented 51% of the membership's total deposits, a slight increase from 2011. Given the prevailing low interest rate environment, a substantial portion of deposits continues to be on short terms, pointing to the importance of depositor confidence in maintaining adequate liquidity.

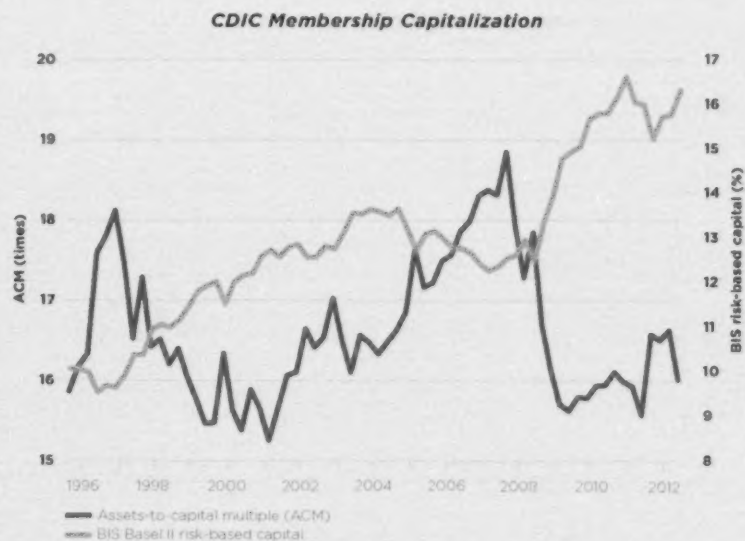
Insured Deposits

As at April 30, 2012, CDIC insured \$646 billion in deposits, a 4% increase from the prior year. This amount represented 32% of the \$2.0 trillion in deposit liabilities held by member institutions. The International peer group (Canada's big five banks) held 78% of the membership's total insured deposits. Total deposits rose by 8% between April 2011 and April 2012, driven in part by long-term wholesale funding raised by the large Canadian banks.

The Consumer and Residential peer groups had the highest ratios of insured deposits at 88% and 75%, respectively.

Capital Ratios

CDIC members overall maintained good Basel II capital ratios throughout 2012. The membership's Tier 1¹ and total capital ratios increased slightly to 13.3% and 16.0%, respectively. The assets-to-capital multiple (ACM), used as a regulatory measure of leverage, increased slightly from 2011 levels to 16.0 times (from 15.4 times). CDIC members are well positioned to adopt the Basel III capital requirements, including the Common Equity Tier 1 (CET1) ratio of 7.0% in the first quarter of 2013.



Membership Risk

The CDIC membership as a whole achieved improved profitability and asset quality, while liquidity and capital ratios remained solid. However, all members, and some more than others, carry significant sensitivity to economic factors. In terms of assets, the most significant sensitivity factor remains real estate prices, which are potentially overvalued in some markets or segments.

¹ Tier 1 capital consists mostly of common shares and retained earnings.

PART ONE

Management's Discussion and Analysis

Some of these markets have begun to experience softening conditions. With their record high level of indebtedness, Canadian households may be more vulnerable than in the past to adverse economic or financial shocks, such as a sudden rise in interest rates or higher unemployment.

Several member institutions continued to record very high on-balance sheet asset growth rates during the year, which have further compounded asset growth since the 2009 to 2010 period. Unless risk management efforts keep pace with growth initiatives, fast asset growth can subsequently lead to credit, liquidity and operational risk challenges. Impaired loan growth often follows a prolonged period of fast growth.

Performance Against Plan

CDIC's Corporate Strategies

Based on its 2012/2013 to 2016/2017 Corporate Plan, in 2012/2013 CDIC focused its efforts on four strategic objectives:

- **Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure**
- **Build Preparedness for Complex Resolutions**
- **Promote Public Awareness of CDIC Deposit Insurance**
- **Optimize the Use of CDIC's Strategic Resources**

These strategies support the Corporation's mandate to provide insurance against the loss of part or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada. Following is a summary of the key activities and achievements carried out this year in support of each of these strategies.

• *Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure*

CDIC actively monitors and assesses the performance of its member groups and of its membership as a whole in order to ensure that we can respond promptly to a potential deterioration in their circumstances. Monitoring and assessment of members includes a review of regulatory and public information, and ongoing communication with OSFI supervision teams and specialist groups.

Higher risk institutions are the subject of more intense monitoring and reporting; if warranted, they are included in CDIC's intervention planning and coordination. Intervention planning includes identifying steps CDIC would undertake to reduce the risk of failure and potential losses to CDIC, as well as issues that could impede the optimal recovery of assets or the speedy repayment to insured depositors under a resolution scenario. If a failure appears likely, CDIC establishes formal plans to proceed to a member examination, under which we would estimate losses under different resolution options in order to select the least cost alternative.

In 2011/2012, CDIC made major gains in its capacity to quickly (e.g., over a weekend) determine the amounts of insured deposits owing to depositors, by implementing the *CDIC Data and System Requirements By-law*. The by-law requires that member institutions be able to put in place certain capabilities that would allow CDIC to conduct an insurance determination over a weekend. All CDIC member institutions are required to have these capabilities by June 30, 2013; over 50% had them in place by June 30, 2012.

In 2012/2013, the Corporation completed and implemented a parallel project designed to enhance CDIC's intervention systems to ensure the Corporation has the capacity to conduct an insurance determination of even its largest member institutions. As part of this project,

we successfully developed (and applied, for 2012 compliance tests) a system for testing member institutions' compliance with the *Data and System Requirements By-law* and introduced the capability to perform an insurance determination on a member institution with over 10 million depositors.

• ***Build Preparedness for Complex Resolutions***

CDIC's large member institutions are complex international and interconnected financial institutions. A disorderly failure, whether through financial distress or other risk factors, could impact the stability of Canada's financial system. In this regard, and consistent with international best practices, it is critical that CDIC undertake comprehensive planning and preparedness activities in the event of a large member failure. CDIC is working with domestic and international supervisors and resolution authorities, to ensure that the Corporation has the operational capacity to effectively implement resolution methods for large complex members.

CDIC carried out a number of key initiatives during 2012/2013 to support our preparedness to deal with the failure of a complex member. These include: developing resolution plans for our largest member institutions; establishing an advisory panel to provide expert advice on large bank resolution issues; and contributing to a number of domestic and international large bank resolution initiatives.

CDIC prepared a first set of resolution plans for its largest member institutions based on the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*. These plans were developed following a series of information requests and consultations with dedicated teams at each of the large banks. The plans serve to guide the effective use of CDIC's powers to resolve a large member institution in the event that the member's own recovery measures are not feasible or have proven ineffective. CDIC's approach to resolution planning leverages the ongoing coordination between CDIC and OSFI in an effort to make information requests and working meetings with the banks as effective as possible.

During the year an Advisory Panel was established to provide advice to CDIC on a broad range of large bank resolution issues. The Panel consists of individuals with extensive banking, insolvency and legal backgrounds who are experts in Canadian financial services issues. Although bank-specific information is not discussed, CDIC's ability to access the Panel's collective experience has provided valuable insights and perspective on the resolution issues that the Corporation is facing. The inaugural meeting was held in March 2013 and it is intended that meetings will be held twice a year going forward.

**Large Bank Resolution
Panel Members**

James Christie
Robert Kelly
Ron Lafonde
Michael Mackey
Graham Parsons
Robert Sanderson
Barbara Stymiest

Resolution planning continues to be an evolving process and is part of the larger financial sector regulatory agenda. CDIC continued to foster international coordination by pursuing memoranda of understanding (MOUs) with selected foreign resolution authorities, including those of the United States and the United Kingdom. CDIC also actively participated in the FSB cross-border working groups developing guidance on resolution mechanisms.

• ***Promote Public Awareness of CDIC Deposit Insurance***

CDIC's mandate includes contributing to the stability of the Canadian financial system. Promoting awareness of CDIC deposit insurance is integral to this mandate. By informing Canadians about our program and our coverage, we help them to make sound decisions about protecting their savings which, in turn, contributes to their confidence in our financial system.

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Management's Discussion and Analysis

In 2012/2013, CDIC launched a new Long-Term Public Awareness Strategy and Plan. The strategy maintains a focus on promoting awareness of CDIC, of the \$100,000 coverage limit, and of the key financial products that are covered and not covered by CDIC.

The new strategy continues to target the general population and the 50 plus age group. It also targets financial advisors, in recognition of their growing role in helping Canadians make financial decisions and their importance to CDIC's ability to reach Canadians.

The strategy includes advertising campaigns through print and online advertising, and search engine marketing. In addition, CDIC launched a Twitter account and a YouTube channel in 2012/2013 to increase its reach. These new tools will also serve to enhance CDIC's capabilities to communicate with depositors and stakeholders more quickly and effectively in the event of a bank failure.

• Optimize the Use of CDIC's Strategic Resources

CDIC focused efforts in 2012/2013 on ensuring that our employees are engaged, and our supporting systems are operating efficiently and effectively and will continue to do so in the years to come.

In 2012/2013, human resource related initiatives focused on enhancing management acumen, increasing internal communication, and formalizing divisional learning and development strategies. These initiatives are contributing to ongoing work force stability; employees continue to grow and are part of multidisciplinary work projects across all divisions. Current staff assist new employees in knowledge transfer of deposit insurance-specific knowledge that is not readily found in the open market.

CDIC also took steps in 2012/2013 to enhance the systems that support our work. We completed a review of our Information Systems (IS) service delivery model to increase the efficiency and effectiveness of this critical function and to ensure that resources are principally focused on systems that are core to CDIC's mandate, such as our intervention systems. Recommendations resulting from this review will be implemented in the coming years through the updated IS structure.

CDIC's Corporate Scorecard— 2012/2013 to 2016/2017

The following Scorecard is a summary of CDIC's progress as at March 31, 2013, against the key initiatives and performance outcomes identified in its 2012/2013 to 2016/2017 Corporate Plan. As shown in the Scorecard, almost all of the key initiatives were completed or are proceeding as planned and expected outcomes on track, with the following exceptions that experienced slippage in terms of time to completion and/or budget:

Strategy: Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure

- *Develop and enhance alternative methods, activities and processes for non-payout resolutions*—Further development of the operational elements related to non-payout resolution methods for a mid-size member institution is still required. A simulation in this area will therefore likely not take place in 2013/2014 as was originally planned.

Strategy: Build Preparedness for Complex Resolutions

- Build operational capability related to the use of CDIC powers to resolve a large member institution failure; and
- Initiate discussions with resolution counterparts to advance cross-border resolution issues.

These work streams have not progressed as quickly as originally planned due to a slower than expected pace of hiring staff with the required expertise. However, now that first generation resolution plans are complete, there will be greater focus on other activities going forward, such as internal preparedness and cross-border coordination initiatives.

CDIC's Corporate Scorecard—2012/2013 to 2016/2017

Corporate Strategies	Expected Performance Outcomes	Key Targets (and Status—Behind, On Track, or Exceeding)	Supporting Key Initiatives	Status   	Update
Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure	Membership Risk Monitoring CDIC assesses and understands risks of its member institutions in support of preparedness and a prompt response to intervene when required.	Risks of each member group are assessed and documented annually (including risk rating and trend). (On Track)	Close monitoring and assessment of CDIC's membership.		• Annual risk assessment completed and documented for all member groups. • Management continues to review member risks and trends on a quarterly basis and assessment risk remains well contained.
			Participation in the redesign and replacement of the Tri-Agency Data Sharing System (TDS).		• Implementation is on time and within budget.
		Intervention plans are developed for CDIC's highest risk members, and are updated on a regular basis, based on ongoing monitoring and assessments of member institutions. (On Track)	Development and timely update of intervention plans for high-risk members.		• Intervention plans have been prepared for CDIC's highest risk members. The plans will be updated in 2013/2014 as needed.

Legend

-  Planned progress on schedule and within budget
-  Slippage in terms of time to completion, budget and/or target variances
-  Cancelled or deferred

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Management's Discussion and Analysis

CDIC's Corporate Scorecard—2012/2013 to 2016/2017

Corporate Strategies	Expected Performance Outcomes	Key Targets (and Status—Behind, On Track, or Exceeding)	Supporting Key Initiatives	Status ▲ ▼ ●	Update
Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure	Readiness for Insurance Determination CDIC can complete an insurance determination on any member institution, regardless of size or complexity, over a weekend.	Evaluation of member institutions' compliance with the <i>Data and System Requirements By-law</i> by 2013. (On Track)	Development of assessment methodology and tools to assess members' compliance with data and system requirements in support of Fast Insurance Determination (FID). All members to be assessed by the end of 2013, starting in July 2012.	▲	• Assessment methodology and tools have been developed. CDIC is on track to complete all assessments by the end of 2013 as originally planned (44 assessments have been completed to date).
		Improve CDIC's proprietary insurance determination software and related processes to accommodate up to 10 million depositors by the end of 2012. (On Track)	FID systems project to expand the capacity and speed of the insurance determination tools and processes to manage a member institution with up to 10 million depositors.	▲	• ROADMAP is deployed with the capability to perform an insurance determination of a member institution with up to 10 million depositors.
		Test CDIC's ability to accurately perform an insurance determination over a weekend. — CDIC is in the process of determining the scope/focus of the simulation to be performed.			
	Readiness for Non-Payout Resolutions CDIC resolution of a failing or failed member institution.	Simulate the failure and resolution of a mid-sized member to assess CDIC's capability and identify process enhancements. (Behind) —Refer to initiative status update.	Develop and enhance alternative methods, activities and processes for non-payout resolutions (e.g., bridge bank, assisted transaction).	▼	• This activity requires further development of the operational elements to consider in the non-payout resolution of a mid-size member institution.

Legend

- ▲ Planned progress on schedule and within budget
- ▼ Slippage in terms of time to completion, budget and/or target variances
- Cancelled or deferred

CDIC's Corporate Scorecard—2012/2013 to 2016/2017

Corporate Strategies	Expected Performance Outcomes	Key Targets (and Status—Behind, On Track, or Exceeding)	Supporting Key Initiatives	Status ▲ ▼ ●	Update
Build Preparedness for Complex Resolutions	Readiness for Complex Resolutions CDIC is ready to implement non-payout resolutions for larger member institution failures (including bridge institution).	Resolution plans are developed and maintained. (On Track)	Preparation of a first set of resolution plans for member institutions pursuant to Financial Stability Board (FSB) guidance in regard to <i>Key Attributes of Effective Resolution Regimes for Financial Institutions</i> .	▲	CDIC has completed first generation resolution plans for its six largest members. Plans will be maintained and enhanced throughout 2013 to address resolvability challenges and updated to reflect changes within our members.
			Build operational capability related to the use of CDIC powers (including Financial Institution Restructuring Provisions and bridge institution) to resolve a large member institution failure.	▼	- This work has not progressed as quickly as planned. However, now that first generation resolution plans are complete, there will be greater focus on this initiative going forward. Work to date has included: - Collaboration with safety net partners to allow an institution in resolution continued participation in key settlement and clearing systems. - Development of a large bank resolution communications strategy. - Formation of an advisory panel composed of experienced industry leaders to advise the Corporation across areas related to large bank resolution. - Planning has begun for a bank resolution table-top simulation exercise to be carried out in early 2014 with participants from the Office of the Superintendent of Financial Institutions (OSFI), the Bank of Canada, and the Department of Finance.

Legend

- ▲ Planned progress on schedule and within budget
- ▼ Slippage in terms of time to completion, budget and/or target variances
- Cancelled or deferred

PART ONE

Management's Discussion and Analysis

CDIC's Corporate Scorecard—2012/2013 to 2016/2017

Corporate Strategies	Expected Performance Outcomes	Key Targets (and Status—Behind, On Track, or Exceeding)	Supporting Key Initiatives	Status ▲ ▼ ●	Update
Build Preparedness for Complex Resolutions			Continued contribution to Senior Advisory Committee (SAC) and other inter-agency initiatives on enhancing Canada's large bank resolution framework.	▲	CDIC continues to collaborate with SAC agencies on resolution matters.
	Global Resolutions CDIC has in place internationally compatible resolution strategies and has appropriately mitigated the barriers to achieving a coordinated resolution of globally active member institutions.	Foster international coordination through the development of general (i.e., non-institution specific) memoranda of understanding (MOUs) with selected foreign resolution authorities by March 2013 with more comprehensive coordination agreements to be formulated throughout the planning period. (Behind) —Refer to initiative status update.	Initiate discussions with resolution counterparts to advance cross-border resolution issues and continued representation at the FSB Cross-Border Crisis Management working group.	▼	- This work has not progressed as quickly as planned. However, now that first generation plans are complete, there will be greater focus on this initiative going forward. - Work to date has included: - Establishing an MOU between CDIC and the U.S. Federal Deposit Insurance Corporation (FDIC) is at an advanced stage. - Due diligence in establishing an MOU with the U.K. Financial Services Authority is underway. - CDIC continues to be an active member of the FSB Cross-Border Crisis Management working group which aims to make operational cross-border resolution strategies.
	International Collaboration CDIC continues to collaborate with international partners to develop international standards and best practices in deposit insurance.	Demonstrate leadership as an active member of the International Association of Deposit Insurers (IADI) Executive Council and on certain FSB working groups. (On Track)	Participate in IADI and certain FSB working groups, which supports CDIC contributing to robust deposit insurance systems and improved cross-border resolution mechanisms.	▲	CDIC's CEO continues to be an active member of the IADI Executive Council. CDIC has representatives on the FSB Resolution Steering Group as well as the working groups associated with both resolution planning best practices and implementation of the FSB's <i>Key Attributes of Effective Resolution Regimes for Financial Institutions</i>.

Legend

- ▲ Planned progress on schedule and within budget.
- ▼ Slippage in terms of time to completion, budget and/or target variances.
- Cancelled or deferred

CDIC's Corporate Scorecard—2012/2013 to 2016/2017

Corporate Strategies	Expected Performance Outcomes	Key Targets (and Status—Behind, On Track, or Exceeding)	Supporting Key Initiatives	Status ▲▼●	Update
Promote Public Awareness of CDIC Deposit Insurance	Awareness of CDIC and the Deposit Insurance Limit Canadians are aware of CDIC, the \$100,000 coverage limit, as well as key financial products covered and not covered by CDIC.	Total awareness of CDIC remains at or above 45%, and awareness of the \$100,000 coverage limit remains at or above 15% of Canadians throughout the planning period. (Exceeding)	Implement CDIC's new Long-Term Public Awareness Strategy and Plan.	▲	• As at March 31, 2013, total awareness of CDIC was measured at 56% of the general population, and unaided awareness of the \$100,000 coverage limit was measured at 24%.
			Leverage financial advisors to reach consumers.	▲	• Efforts to encourage financial advisors to discuss CDIC with their clients were undertaken during the year.
			Implement a social media strategy.	▲	• CDIC launched its Twitter account in 2012, and also launched a YouTube channel to display corporate videos on CDIC coverage.
Optimize the Use of CDIC's Strategic Resources	Engaged and Stable Work Force Employees are provided with training and development opportunities, and succession plans are in place to address predicted retirements/departures.	CDIC achieves best-in-class engagement/satisfaction scores (75%+) on its employee surveys throughout the planning period. (Not Measured in 2012) —Employee satisfaction was last measured at 71% in 2011. Another survey is planned for 2013/2014.	Continue to implement CDIC's Long-Term Human Resource Strategy and Plan (HRSP) (including succession management, conducting employee surveys and developing action plans).	▲	• All initiatives identified in the HRSP for the period are complete, including action plans arising from the 2011 employee survey results.
	Focused Information Systems Resources Information Systems (IS) resources are focused on CDIC's core/mandated business activities.	The majority of IS spending is dedicated to core activities throughout the planning period. (On Track)	Develop and implement IS Tactical Plan that expands focus on core business initiatives and optimizes IS services.	▲	• The IS Tactical Plan was developed and focuses on core activities (e.g., CDIC's insurance determination systems). The plan is currently being implemented.
	Cost Efficiency CDIC is able to manage its operations in a cost-effective manner, while meeting its statutory obligations and adhering to cost containment measures.	Maintain net operating expenses within approved budget levels in 2012/2013 and throughout the rest of the planning period. (On Track)	Continue to look for opportunities to increase operational flexibility and efficiencies.	▲	• Management conducted a review of the Corporation's IS service delivery model in 2012/2013, and is currently implementing changes to increase organizational efficiencies. • 2012/2013 net operating expenses were within budget.

Legend

- ▲ Planned progress on schedule and within budget
- ▼ Slippage in terms of time to completion, budget and/or target variances
- Cancelled or deferred

PART ONE

Management's Discussion and Analysis

Financial Overview

This section of CDIC's Management's Discussion and Analysis provides a narrative context in which to interpret the Corporation's financial position, financial performance and cash flows. It should be read in conjunction with CDIC's fiscal 2012/2013 annual consolidated financial statements and notes. CDIC's statutory objects are to provide insurance against the loss of part or all of deposits, to promote or otherwise contribute to the stability of the financial system in Canada, and to pursue these objects for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss. The Corporation's financial position, financial performance and cash flows are influenced by the pursuit of these objects.

Financial Highlights

CDIC earned total comprehensive income of \$23 million in fiscal 2012/2013.

Premium revenue was \$120 million for the year, a decrease of \$104 million (46%) from fiscal 2011/2012. The decrease in premium revenue reflects the impact of a one-time incentive offered to eligible member institutions for early compliance with CDIC's *Data and System Requirements By-law*, as well as improved Differential Premiums categorization for some members, offset by the impact of the growth in insured deposits.

Investment income was \$39 million for the year, a decrease of \$1 million (3%) from fiscal 2011/2012. Reduced income was a result of lower yields on the investment securities portfolio, partially offset by growth in the portfolio.

Net operating expenses were \$36 million for the year, a year-over-year increase of \$4 million (13%). Increased operating expenses reflect the staffing of a new Division charged with large bank resolution.

The Corporation's asset base continued to grow during the year. **Total assets** were \$2,575 million as at March 31, 2013, an increase of 5% over the 2011/2012 fiscal year. The majority of the Corporation's assets are investment securities, which totalled \$2,560 million.

The Corporation's **provision for insurance losses** was \$1,250 million as at March 31, 2013, an increase of \$100 million compared to last year. The increase reflects an elevated risk environment, a 4% increase in the level of insured deposits and downgrades of the credit ratings of some of CDIC's member institutions.

The Corporation's **ex ante funding**, a measure of CDIC's ability to fund interventions, stood at \$2,566 million, or 40 basis points of insured deposits, as at March 31, 2013, a year-over-year increase of \$122 million.

Basis of Preparation

CDIC's consolidated financial statements include the Corporation's results as well as those of Adelaide Capital Corporation (ACC), a special purpose entity created by CDIC in 1992 to effect the resolution of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (Please see Note 2 to the Corporation's fiscal 2012/2013 consolidated financial statements for more information.)

The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Consolidated Statement of Financial Position

Assets

The total assets of the Corporation increased to \$2,575 million as at March 31, 2013, from \$2,452 million as at March 31, 2012, representing an increase of 5%. The following table summarizes CDIC's assets:

(C\$ thousands)	March 31, 2013	March 31, 2012
Assets		
Cash	422	456
Investment securities	2,560,483	2,440,790
Current tax asset	1,286	-
Trade and other receivables	1,545	1,537
Prepayments	244	141
Property, plant and equipment	6,716	6,332
Intangible assets	4,310	2,626
Deferred tax asset	122	206
Total assets	2,575,128	2,452,088

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Management's Discussion and Analysis

Investment Securities

CDIC's \$2.6 billion investment portfolio forms the majority of its assets. The Corporation's investment strategy is based on two key principles:

- Limit credit and market risk to preserve capital.
- Use the investment portfolio as a funding source for intervention activity.

These principles require that CDIC maintain a conservatively structured portfolio. CDIC's treasury activity follows the *Financial Risk Management Guidelines for Crown Corporations* issued by the Minister of Finance. CDIC's Board Financial Risk Policies further limit risk by setting a maximum amount (and term) that can be invested in each qualifying instrument.

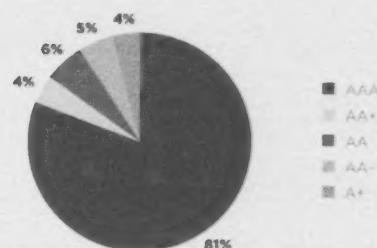
CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of Provincial Governments/Municipal Financing Authorities. Counterparties for investments of less than three years must have a minimum credit rating of A. The Corporation's investment securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

As a result of these policies, the credit profile of CDIC's investment portfolio is relatively stable from period to period. CDIC's investments as at March 31, 2013, carry a weighted average yield to maturity of 1.5% (March 31, 2012: 1.7%) with a modified duration of 0.8 year (March 31, 2012: 1.3 years).

Intangible Assets

CDIC's intangible assets represent its investment in specialized systems. Intangible assets have increased by \$1.7 million over the previous year, to \$4.3 million, as the Corporation continued to enhance its systems that support, among other things, CDIC's ability to respond to a member institution failure.

**Investment Securities Credit Profile,
as at March 31, 2013**



Future Recoveries

CDIC estimates possible future recoveries from failed member institutions of approximately \$14 million. These potential recoveries relate primarily to recoveries of amounts that were previously written off by CDIC and are not reflected in CDIC's financial statements due to uncertainty with respect to both potential amount and ultimate receipt. Factors contributing to this uncertainty include creditor disputes, lawsuits against the estates, and competing claims for specific assets.

Name of Institution (Method of Failure Resolution—Year of Failure)	CDIC's Total Claims (C\$ millions)	CDIC's Recoveries to March 31, 2013 (C\$ millions)	CDIC's Possible Future Recoveries (C\$ millions)	CDIC's Projected Loss as a % of:	
				Claims— Nominal Basis	Claims— NPV* Basis
Standard Trust Co. (Formal Liquidation —1991)	1,164	967	14	16%	33%

* All cash flows are discounted on an annual basis to the year of failure to arrive at the net present value (NPV).

Liabilities

The total liabilities of the Corporation increased to \$1,259 million as at March 31, 2013, from \$1,159 million as at March 31, 2012, an increase of 9%. The following table summarizes the liabilities of the Corporation:

(C\$ thousands)	March 31, 2013	March 31, 2012
Liabilities		
Trade and other payables	5,616	3,828
Current tax liability	-	1,435
Deferred lease inducement	1,412	1,525
Defined benefit obligations	1,820	1,763
Provision for insurance losses	1,250,000	1,150,000
Total liabilities	1,258,848	1,158,551

Provision for Insurance Losses

The \$1,250 million provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. The provision increased by \$100 million in fiscal 2012/2013, reflecting an increase in the level of insured deposits to \$646 billion from \$622 billion, and downgrades by external credit rating agencies of the credit ratings of some of CDIC's member institutions.

CDIC's provision for insurance losses is estimated based on a number of inputs, including: the level of insured deposits; the expectation of default derived from probability statistics; CDIC's specific knowledge of its members; and an expected loss given default.

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Management's Discussion and Analysis

The derivation of default probabilities includes both historical and forward-looking perspectives of potential for failure. Moody's Investors Service and Standard & Poor's default statistics are used to derive a historically based view of default. Moody's KMV, a well-known provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective to the probability of default estimate.

The loss given default estimate is based on the cumulative un-weighted average loss sustained by CDIC in member failures since 1987, adjusted for measurement uncertainty as required by IFRS. In 1987, CDIC's legislation was changed to require that it pursue its objects in a manner so as to minimize its exposure to loss. Accordingly, the losses associated with failures since that time are significantly lower than those incurred by CDIC prior to 1987 and are more indicative of the losses the Corporation can expect to incur in the future.

Ex Ante Funding

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC maintains an *ex ante* fund to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and the provision for insurance losses. The minimum target level of the Corporation's *ex ante* funding is 100 basis points of insured deposits. The Corporation reviews this target funding level regularly to ensure it remains appropriate.

CDIC's *ex ante* funding level was \$2,566 million as at March 31, 2013, or 40 basis points of insured deposits. Based on the level of insured deposits as at April 30, 2012, the 100 basis point minimum target would equate to \$6,456 million of *ex ante* funding.

The Corporation's *ex ante* funding forms one part of the funding available should the need arise to intervene with a member institution. Additional funds are available through CDIC's authority to borrow under the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). As at March 31, 2013, the Corporation can borrow up to \$19 billion. The borrowing limit is adjusted annually to reflect the growth in insured deposits. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

The following table sets out the liquid funds available to CDIC as at March 31, 2013:

(C\$ millions)	March 31, 2013	March 31, 2012
<i>Available liquid funds:</i>		
Cash	1	1
Fair value of high-quality, liquid investment securities	2,573	2,459
<i>Availability of borrowings:</i>		
Borrowings authorized under the <i>CDIC Act</i> , either from market sources or from the Consolidated Revenue Fund*	19,000	18,000
Total available funds	21,574	20,460

* Includes existing \$10 million bank credit facility.

Consolidated Statement of Comprehensive Income

CDIC's total comprehensive income for fiscal 2012/2013 totalled \$23 million, a decrease from \$180 million in fiscal 2011/2012. The Corporation's financial performance is summarized in the following table:

(C\$ thousands)	2012/2013	2011/2012
Revenue		
Premium	120,081	223,887
Investment income	38,985	40,194
Other	45	26
Expenses		
Operating expenses	35,835	31,991
Recovery of amounts previously written off	(166)	(375)
Increase in provision for insurance losses	100,000	50,000
Income tax expense	815	2,345
Net income	22,627	180,146
Other comprehensive income (loss)	116	(94)
Total comprehensive income	22,743	180,052

Premium Revenue

In the 2012/2013 fiscal year, premium revenue decreased by \$104 million (46%) to \$120 million. The decrease in premium revenue reflects the impact of a one-time incentive offered to eligible member institutions for early compliance with CDIC's *Data and System Requirements By-law*, as well as improved Differential Premiums categorization for some members, partially offset by the impact of the growth in insured deposits.

Premiums are based on the total amount of insured deposits held by members as of April 30th each year, calculated in accordance with the *CDIC Act* and its *Differential Premiums By-law*, which classifies member institutions into one of four premium categories. Classification is based on a mix of quantitative and qualitative factors. Premium rates, expressed as basis points of insured deposits, are presented below.

Premium Category (basis points of insured deposits)	2012/2013	2011/2012
Category 1	2.8	2.8
Category 2	5.6	5.6
Category 3	11.1	11.1
Category 4	22.2	22.2

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Management's Discussion and Analysis

The distribution of members among premium categories is set out in the following table:

Distribution of Member Institutions by Premium Category (% of members)					
Premium Category	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
1	76	73	62	68	75
2	17	20	26	21	20
3	5	5	10	10	5
4	2	2	2	1	-

Investment Income

Investment income was \$39 million during the 2012/2013 fiscal year compared to \$40 million in the previous year. Although premiums received during the year added to the size of CDIC's investment portfolio, investment income decreased as a result of the low interest rate environment. The weighted average yield on CDIC's investment portfolio decreased from 1.7% as at March 31, 2012, to 1.5% as at March 31, 2013.

Partially offsetting the impact of the lower yields was a realized gain of \$238 thousand on the sale of securities during the first quarter of fiscal 2012/2013. The sale was prompted by the downgrade of the external credit rating of one of the Corporation's counterparties. The downgrade resulted in the Corporation temporarily being in non-compliance with its credit risk policy. Management immediately sold sufficient securities to enable continued compliance with its credit risk policy.

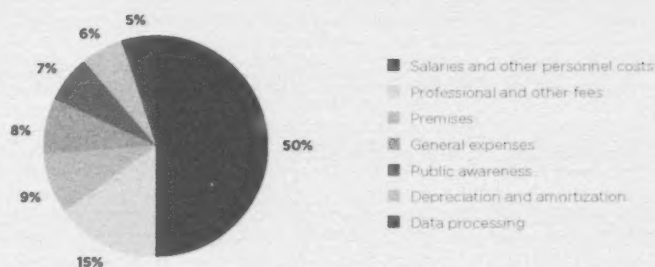
Recoveries

In fiscal 2012/2013, the Corporation recovered \$166 thousand in relation to amounts previously written off. CDIC occasionally recovers amounts from the estate of failed member institutions; however, there is no certainty with regard to timing or amount. As a result, the Corporation recognizes such recoveries in the period in which they are received.

Operating Expenses

Operating expenses increased to \$36 million in fiscal 2012/2013 from \$32 million in fiscal 2011/2012. Increased operating expenses mainly reflect the staffing of the new Division charged with large bank resolution.

**Profile of Operating Expenses
for Fiscal 2012/2013**



Consolidated Statement of Cash Flows

CDIC's cash flows are summarized in the following table:

(C\$ thousands)	2012/2013	2011/2012
Increase in cash from operating activities	127,407	232,621
Decrease in cash from investing activities	(127,441)	(232,904)
Decrease in cash balance	(34)	(283)

In fiscal 2012/2013, CDIC generated \$127 million in cash from its operations, \$4 million of which was used to purchase/develop capital assets, and \$123 million of which was contributed to the investment portfolio.

Comparison with 2012/2013 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2012/2013 with the Corporate Plan for the same year.

Statement of Financial Position

Total assets as at March 31, 2013, were \$2,575 million, compared to the planned amount of \$2,539 million. The variance resulted mainly from higher than planned revenue which increased the balance of investment securities held by the Corporation. The variance in revenue is discussed further below.

Total liabilities as at March 31, 2013, were \$1,259 million, compared to the planned amount of \$1,157 million. The variance was due to the unplanned increase in the provision for insurance losses. The Corporate Plan assumed no increase in the provision for insurance losses during the 2012/2013 fiscal year. In the first quarter of fiscal 2012/2013 the Corporation recognized an increase in the provision for insurance losses of \$100 million.

Statement of Comprehensive Income

Total revenue during the year was \$159 million, or \$28 million above Plan. The primary sources of revenue are premiums and investment income.

- *Premiums:* Actual premium revenue was \$120 million, compared to the planned amount of \$89 million. The Corporate Plan was based on certain assumptions regarding the classification of members under the Differential Premiums system and members' eligibility for premium incentives for early compliance with CDIC's *Data and System Requirements By-law*, as well as the growth in insured deposits. Actual results have differed from the assumptions, resulting in the variance between the planned and forecast amounts.
- *Investment income:* Actual investment income was \$39 million, compared to the planned amount of \$42 million. The Corporate Plan assumed a higher yield on the portfolio than was actually achieved.

Total comprehensive income for the year ended March 31, 2013, was \$23 million compared to planned total comprehensive income of \$91 million, a negative variance of \$68 million. This variance is attributable to an unplanned increase in the provision for insurance losses of \$100 million, partially offset by higher than planned revenue.

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Management's Discussion and Analysis

A Look Ahead to 2013/2014

As set out in the Corporation's 2013/2014 to 2017/2018 Corporate Plan, CDIC's work will be guided by four strategic objectives in fiscal 2013/2014, unchanged from 2012/2013:

- **Enable quick access to insured deposits in the event of a member institution failure**
- **Build preparedness for complex resolutions**
- **Promote public awareness of CDIC deposit insurance**
- **Optimize the use of CDIC's strategic resources**

Details on each of these strategic objectives are provided below.

• **Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure**

CDIC will continue to enhance its capacity to deliver a quick reimbursement to depositors or transfer of insured deposits to another institution should this be required. The following key initiatives will support this strategic objective in 2013/2014:

- Review and adjust CDIC's risk assessment and monitoring processes.
- Develop and implement a process to monitor member institutions' ongoing compliance with CDIC's *Data and System Requirements By-law*.
- Enhance CDIC's intervention preparedness through expanded intervention plans for specific member institutions.
- Develop and implement new channels for reimbursements to insured depositors.

CDIC requires access to timely and reliable data to assess and monitor the performance of its membership and highlight potential risks as they arise. To this end, work in 2013/2014 will include identifying and implementing, in coordination with the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada, improvements to the regulatory data that are currently available, as well as enhancing our risk assessment tools. Risk assessment information systems will be updated, including upgrades to the business intelligence data warehouse and the e-filing application (used by member institutions to submit data to CDIC).

Following the deadline for member compliance with CDIC's *Data and System Requirements By-law* of June 30, 2013, CDIC will test its remaining member institutions for compliance in 2013/2014 (44 out of 83 have been tested to date). Once initial testing is complete, we will implement a process to ensure ongoing compliance with the by-law. To this end, CDIC will develop a methodology and supporting procedures for monitoring of members' ongoing compliance.

In 2013/2014, the Corporation will also continue to review and revise its intervention plans for its highest risk member institutions and assess alternative payment delivery methods beyond the traditional method of cheques or transfer of deposit base to another financial institution.

• Build Preparedness for Complex Resolutions

Following the formative work undertaken this past year in developing resolution plans for the largest member institutions, second generation plans will be developed in 2013/2014 and further refined on an annual basis thereafter. The 2013/2014 plans will seek to address the challenges identified through work to date, as well as international resolution best practices.

In 2013/2014, CDIC will continue its work with the Senior Advisory Committee (SAC) agencies to finalize policy proposals designed to address possible gaps in CDIC's ability to resolve its large complex members.

A major initiative in 2013/2014 will also be the development of a framework essential to building the Corporation's internal preparedness to effectively handle a large bank failure. The framework will consolidate and enhance existing preparedness activities, including communications, funding, resourcing, valuation and exit options for CDIC's large bank resolution powers.

CDIC will continue to improve its capacity to respond to the failure of a large, complex member through the following initiatives:

- Further develop resolution plans consistent with the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions* and international best practices;
- Enhance cooperation with foreign and domestic resolution authorities;
- Develop action plans to address possible gaps with the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*;
- Develop an operational framework for large bank resolution.

• Promote Public Awareness of CDIC Deposit Insurance

CDIC's Long-Term Public Awareness Strategy and Plan aims to make at least 45% of Canadians aware of CDIC. The strategy leverages the relationship financial advisors have with their clients as a means of reaching Canadians to inform them about the deposit insurance program. CDIC will continue to monitor awareness levels through regular omnibus surveys of Canadians during the year.

CDIC will continue to promote awareness of the Corporation's deposit insurance program to contribute to stability and confidence in the Canadian financial system.

• Optimize the Use of CDIC's Strategic Resources

CDIC conducts regular employee surveys to solicit feedback from employees on a wide range of issues. The surveys measure employee engagement and satisfaction, and serve to monitor and measure the impact of actions taken based on previous survey results. An employee engagement survey will formally measure employee engagement in fiscal 2013/2014.

CDIC's work force and effective and efficient processes are essential to the Corporation's ability to fulfill its mandate.

Recruitment will also be an area of focus for the Corporation in 2013/2014, to help ensure that CDIC is able to attract and retain the skills and expertise that are required to further advance the Corporation's key initiatives—in particular those related to large bank resolution activities.

To ensure its information systems are operating effectively, CDIC will continue to implement recommendations from the recent IS service delivery model review. In addition, the Corporation will continue to perform the required upgrades to its back office and supporting systems in 2013/2014 and throughout the planning period.

PART ONE

Management's Discussion and Analysis

2013/2014 to 2017/2018 Financial Plan

The projections included in CDIC's 2013/2014 to 2017/2018 Corporate Plan are based on a number of assumptions and, accordingly, actual results may vary materially from the figures included in the Plan. Key financial assumptions include the following:

- A 3.5% growth in insured deposits.
- The premium rate for Category 1 member institutions (the base premium rate) is assumed to increase by one basis point per year, for five years, starting in fiscal 2014/2015.
- Investment income is based on an assumed average yield of 1.5% for fiscal 2013/2014, rising to 1.75% thereafter.
- No member institution failure is assumed during the planning period.²
- The provision for insurance losses is forecast to remain at \$1,250 million.

2013/2014 Fiscal Year

Total comprehensive income is forecast at \$203 million for the 2013/2014 fiscal year.

Total revenues are planned to be \$248 million in the 2013/2014 fiscal year, including \$195 million of premium revenue and \$39 million of investment income.

Planned **premium revenue** of \$195 million is \$75 million higher than fiscal 2012/2013 premium revenue of \$120 million. Fiscal 2012/2013 premium revenue was impacted by a one-time premium incentive for members who demonstrated early compliance with CDIC's *Data and System Requirements By-law*. Fiscal 2013/2014 reflects a return to non-discounted premiums as well as the impact of the forecast 3.5% growth in insured deposits.

Investment income is expected to remain unchanged at \$39 million, reflecting a higher fund balance and a continued low interest rate environment.

Net operating expenses are planned to be \$42 million in fiscal 2013/2014, compared to \$36 million actual operating expenses in fiscal 2012/2013. This increase reflects funding required for the development of the Corporation's large bank resolution capabilities and will ensure that CDIC is well equipped to meet its mandate and responsibilities. Spending on other activities is budgeted to remain relatively flat to fiscal 2012/2013 budget levels, as we maintain our commitment to managing costs in a prudent and responsible manner, in keeping with the spirit of current federal government deficit reduction activities.

Cash and investments are projected to be \$2.8 billion at the end of the 2013/2014 fiscal year.

The **provision for insurance losses** is forecast to remain unchanged at \$1,250 million at the end of the 2013/2014 fiscal year.

The level of **ex ante funding** is forecast to be \$2.8 billion at the end of the 2013/2014 fiscal year, representing 41 basis points of forecast insured deposits, an increase of one basis point from the current year.

² Key to the effective implementation of CDIC's priorities within its operating budget is the absence of interventions in member institutions. The Corporation has not forecast any member interventions during the planning period. As a result, the impact on operations of any intervention is not incorporated into future operating budgets. The cost of interventions, if required, could likely have a material impact on operating expenses.

(C\$ millions)

	2013/2014 Corporate Plan ^a	2012/2013 Actual Results	2012/2013 Corporate Plan ^a
Consolidated Statement of Financial Position (as at March 31)			
Cash and investments	2,760	2,561	2,525
Other current assets	1	3	1
Capital assets	11	11	13
Total assets	2,772	2,575	2,539
Current liabilities	2	6	3
Provision for insurance losses	1,250	1,250	1,150
Other non-current liabilities	3	3	4
Retained earnings	1,517	1,316	1,382
Total liabilities and equity	2,772	2,575	2,539
Consolidated Statement of Comprehensive Income (for the year ended March 31)			
Revenue			
Premiums	195	120	89
Investment income	39	39	42
Other	14	-	-
	248	159	131
Expenses			
Operating	42	36	39
Increase in provision for insurance losses	-	100	-
	42	136	39
Net income before income tax	206	23	92
Income tax expense	(3)	-	(1)
Net income and total comprehensive income	203	23	91

a The Corporate Plans 2012/2013 to 2016/2017 and 2013/2014 to 2017/2018 were developed based on information as at December 31, 2011, and December 31, 2012, respectively.

PART TWO

Consolidated
Financial Statements

Management Responsibility for Consolidated Financial Statements

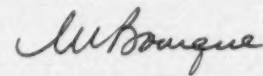
June 12, 2013

The accompanying consolidated financial statements of the Canada Deposit Insurance Corporation and the information related to the consolidated financial statements in this *Annual Report* are the responsibility of Management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include some amounts, the most significant one being the provision for insurance losses, that are necessarily based on Management's best estimates and judgment.

The consolidated financial statements have been approved by the Board of Directors. Financial information presented elsewhere in this *Annual Report* is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, Management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. Internal audits examine and evaluate the application of the Corporation's policies and procedures and the adequacy of the system of internal controls. In addition, the internal and external auditors have free access to the Audit Committee of the Board, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the consolidated financial statements to the Board of Directors.

These consolidated financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.



Michèle Bourque
President and Chief Executive Officer



Dean A. Cosman
Vice-President, Finance and Administration, and
Chief Financial Officer



PART TWO

Consolidated Financial Statements

Independent Auditor's Report



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Deposit Insurance Corporation, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Deposit Insurance Corporation as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Deposit Insurance Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Canada Deposit Insurance Corporation.

Clyde M. MacLellan, CA
Assistant Auditor General
for the Auditor General of Canada

12 June 2013
Ottawa, Canada

2013-06-12 14:00:00

Consolidated Financial Statements and Notes

CANADA DEPOSIT INSURANCE CORPORATION Consolidated Statement of Financial Position as at March 31, 2013

(in thousands of Canadian dollars)

	Notes	March 31, 2013	March 31, 2012
ASSETS			
Cash		422	456
Investment securities	4	2,560,483	2,440,790
Current tax asset		1,286	-
Trade and other receivables	5	1,545	1,537
Prepayments		244	141
Property, plant and equipment	6	6,716	6,332
Intangible assets	7	4,310	2,626
Deferred tax asset	12	122	206
TOTAL ASSETS		2,575,128	2,452,088
LIABILITIES			
Trade and other payables		5,616	3,828
Current tax liability		-	1,435
Deferred lease inducement	8	1,412	1,525
Defined benefit obligations	16	1,820	1,763
Provision for insurance losses	9	1,250,000	1,150,000
Total liabilities		1,258,848	1,158,551
EQUITY			
Retained earnings		1,316,280	1,293,537
TOTAL LIABILITIES AND EQUITY		2,575,128	2,452,088

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board on June 12, 2013


Director


Director

PART TWO

Consolidated Financial Statements

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Comprehensive Income
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Notes	Year ended March 31, 2013	Year ended March 31, 2012
REVENUE			
Premium	17	120,081	223,887
Investment income		38,985	40,194
Other		45	26
		159,111	264,107
EXPENSES			
Operating	13	35,835	31,991
Recovery of amounts previously written off		(166)	(375)
Increase in provision for insurance losses	9	100,000	50,000
		135,669	81,616
Net income before income taxes		23,442	182,491
Income tax expense	12	815	2,345
NET INCOME		22,627	180,146
OTHER COMPREHENSIVE INCOME			
Actuarial gain (loss) on defined benefit obligations	16	155	(126)
Income tax effect		(39)	32
Other comprehensive income (loss), net of tax		116	(94)
TOTAL COMPREHENSIVE INCOME		22,743	180,052

The accompanying notes form an integral part of these consolidated financial statements.

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Changes in Equity
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Retained Earnings and Total Equity
Balance, March 31, 2011	1,113,485
Net income	180,146
Other comprehensive loss	(94)
Total comprehensive income	180,052
Balance, March 31, 2012	1,293,537
Net income	22,627
Other comprehensive income	116
Total comprehensive income	22,743
Balance, March 31, 2013	1,316,280

The accompanying notes form an integral part of these consolidated financial statements.



CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Cash Flows
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Year ended March 31, 2013	Year ended March 31, 2012
OPERATING ACTIVITIES		
Net income	22,627	180,146
Add (deduct) items not involving cash:		
Depreciation and amortization	2,022	1,468
Investment income	(38,985)	(40,194)
Tax expense	815	2,345
Defined benefit expense	228	229
Defined benefit payment	(16)	(268)
Change in working capital:		
Increase in provision for insurance losses	100,000	50,000
Decrease in premiums receivable	-	364
(Increase) decrease in prepayments	(103)	260
(Increase) decrease in trade and other receivables	(8)	1,033
Increase in trade and other payables	1,788	1,271
(Decrease) increase in deferred lease inducement	(113)	18
Interest received	42,643	37,188
Income tax paid	(3,491)	(1,239)
Net cash generated by operating activities	127,407	232,621
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(4,090)	(3,107)
Purchase of investment securities	(4,435,184)	(3,751,213)
Proceeds from sale or maturity of investment securities	4,311,833	3,521,416
Net cash used in investing activities	(127,441)	(232,904)
Net decrease in cash	(34)	(283)
Cash, beginning of year	456	739
Cash, end of year	422	456

The accompanying notes form an integral part of these consolidated financial statements.

CANADA DEPOSIT INSURANCE CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2013

1 – General Information

The Canada Deposit Insurance Corporation (CDIC or the Corporation) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions. The Corporation is subject to federal income tax pursuant to the provisions of the *Income Tax Act*. The address of the registered office is 50 O'Connor Street, 17th Floor, Ottawa, Ontario.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits in member institutions and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including acquiring assets from and providing guarantees or loans to member institutions and others. Among other things, it may make or cause to be made inspections of member institutions, act as liquidator, receiver or inspector of a member institution or a subsidiary thereof and establish a bridge institution.

The Corporation is an agent of Her Majesty in right of Canada for all purposes of the *CDIC Act*. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 12, 2013.

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and are presented in Canadian dollars.

The consolidated financial statements have been prepared on the historical cost basis, except for the provision for insurance losses and the defined benefit obligations, which are measured at their present value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and the amount of cash expected to be paid to satisfy a liability.

The accounting policies set out in Note 2 were consistently applied to all the periods presented unless otherwise noted below.



PART TWO

Consolidated Financial Statements

2 – Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a special purpose entity controlled by CDIC. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of ACC are included in the consolidated financial statements until the date control ceases or ACC is dissolved. All transactions, balances, income and expenses between CDIC and ACC are eliminated in full on consolidation.

The overall impact of consolidation is not significant.

These consolidated financial statements do not reflect the assets, liabilities or operations of failed member institutions in which the Corporation has intervened but does not have control.

Judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgment in applying the Corporation's accounting policies. The most significant judgment made by Management, in terms of the amounts recognized in the consolidated financial statements, is with respect to the Corporation's investment securities.

The Corporation holds a significant amount of investment securities. Management has determined, based on an analysis of the facts and circumstances, that: (i) the investment securities are held in order to collect contractual cash flows; and (ii) the contractual terms of the investment securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the Corporation measures the investment securities at amortized cost. See "Financial Instruments" below for further details.

Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates or assumptions are revised and any future periods affected.

Estimating CDIC's provision for insurance losses involves significant estimation uncertainty and requires Management to make significant assumptions.

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits of member institutions. The provision is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default. See "Provision for Insurance Losses" below for further details on how the provision is measured.

Actual results in the near term could differ significantly from these estimates, including the timing and extent of losses the Corporation incurs as a result of future failures of member institutions. This could require a material adjustment to the carrying amount of the provision for insurance losses. In the event that actual results vary from the current estimates, the Corporation can recommend that the annual premium rates charged to member institutions be increased or decreased, depending on the situation.

Financial Instruments

In fiscal 2011/2012, the Corporation early adopted IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board (IASB) in November 2009 (IFRS 9 (2009)).

Recognition and initial measurement

All financial assets and financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

Purchases of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date, that is, the date the asset is delivered to or by CDIC.

Interest income and gains or losses on the sale of investment securities are recognized in investment income.

Classification

A) Financial assets

Subsequent to initial recognition, a financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is subsequently measured at fair value. All the Corporation's financial assets are subsequently measured at amortized cost.

B) Financial liabilities

Subsequent to initial recognition, all the Corporation's financial liabilities are measured at amortized cost.

Amortized cost measurement

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Fair value measurement

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.



PART TWO

Consolidated Financial Statements

Identification and measurement of impairment

The Corporation assesses at the end of each reporting period whether there is any objective evidence that financial assets carried at amortized cost are impaired. Impairment losses on assets carried at amortized cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in net income and reflected in an allowance account.

Cash

Cash includes cash on hand and demand deposits. Cash is measured at amortized cost on the statement of financial position.

Investment Securities

Investment securities are debt instruments, such as Treasury bills and Government of Canada bonds, held by the Corporation. Investment securities are measured on the statement of financial position at amortized cost, plus accrued interest.

Interest income on investment securities is recognized using the effective interest method.

Trade and Other Receivables

Trade and other receivables are measured at amortized cost less any impairment losses.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements—shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment—five years
- Computer hardware—three years

Depreciation expense is included in operating expenses. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in operating expenses.

Items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in operating expenses.

Intangible Assets

The Corporation records an internally generated intangible asset arising from the development of software once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of an application are capitalized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortization and any impairment losses, and are amortized on a straight-line basis over their estimated useful lives which range from three to seven years. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization of intangible assets is included in operating expenses.

The Corporation considers potential indicators of impairment at the end of each reporting period. If any indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of the loss. Intangible assets that are not yet available for use are tested for impairment annually, irrespective of the presence of indicators, by comparing carrying amounts to recoverable amounts. Impairment losses are included in operating expenses.

Trade and Other Payables

Trade and other payables are measured at amortized cost. The carrying amounts of trade and other payables approximate fair value due to their short term to maturity.

Provision for Insurance Losses

Provisions are to be recognized when the Corporation has a present obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



PART TWO

Consolidated Financial Statements

The Corporation has a stand-ready obligation to provide insurance against the loss of part, or all, of deposits in a member institution in the event of failure. The provision for insurance losses represents the Corporation's best estimate of the consideration required to settle this obligation and is determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The estimate takes into account the risks and uncertainties surrounding the obligation. The provision is estimated by assessing the aggregate risk of the Corporation's member institutions based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default.

The Corporation calculates its expected losses as a result of member institution failures on a present value basis. The loss given default is expressed as a percentage of insured deposits and reflects the cumulative unweighted average of losses sustained since the *CDIC Act* was amended in 1987 to require that CDIC pursue its objects in a manner so as to minimize its exposure to loss, plus an adjustment for measurement uncertainty. The present value of the provision is determined using a pre-tax risk-free discount rate.

Changes in the provision for insurance losses that result from quarterly estimations for financial reporting purposes are recognized as an adjustment to the provision for insurance loss in the period in which the changes occur.

Premium Revenue

Premium revenue is recognized at the fair value of the consideration received and reported as income proportionately over the fiscal year. Premiums are determined annually based on the amount of insured deposits held by member institutions as at April 30 of the current fiscal year, and are payable in two equal installments on July 15 and December 15.

Premium rates are fixed annually considering the Corporation's financial condition, the economic environment, the risk profile of the membership, and the actual and projected size of the Corporation's *ex ante* funding relative to the target.

Other Revenue

Other revenue includes sub-lease income, certain interest income, and foreign exchange gains and losses.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

All of the Corporation's leases are treated as operating leases.

Rentals payable under operating leases are charged to operating expenses on a straight-line basis over the term of the lease. In the event that lease incentives are received, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. Rental income from operating sub-leases is recognized on a straight-line basis over the term of the lease.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Public Service Pension Plan. Consequently, contributions are recognized as an operating expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Defined Benefit Obligations

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits. The cost of the benefits earned by employees is actuarially determined using the projected unit credit method. The determination of the benefit expense requires the use of assumptions such as the discount rate to measure obligations, expected resignation rates, and the expected rate of future compensation. Actual results may differ from estimates based on assumptions.

Past service costs are recognized immediately in the statement of comprehensive income to the extent that the benefits have vested. The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits become vested. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities, are charged to operating expenses.

The liability recognized in the statement of financial position is the present value of the defined benefit obligations at the end of the reporting period adjusted for unrecognized past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates for high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in retained earnings as other comprehensive income.

Income Taxes

Income tax expense represents the sum of the current and deferred tax expenses.

Current tax is recognized in net income except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax relating to actuarial gains and losses on defined benefit obligations is recognized directly in retained earnings as other comprehensive income.



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3 – Future Accounting Changes

At the date these consolidated financial statements were authorized, certain standards, interpretations and amendments to existing standards were issued by the IASB but are not yet effective. Unless otherwise noted, the Corporation does not plan to early adopt any of the changes.

IFRS 9 Financial Instruments: In November 2009, the IASB issued IFRS 9 (2009), introducing new requirements for classifying and measuring financial assets. This was the IASB's first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In October 2010, the IASB issued IFRS 9 (2010), incorporating new requirements for accounting for financial liabilities, and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities. IFRS 9 (2010) must be applied retrospectively for annual periods beginning on or after January 1, 2015, with early adoption of either IFRS 9 (2009) or IFRS 9 (2010) permitted. The Corporation elected to adopt IFRS 9 (2009) in advance of its effective date and does not expect the additional requirements of IFRS 9 (2010) to have a material impact on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosures of Involvement with Other Entities, IAS 27 Separate Financial Statements, and IAS 28 Investments in Associates and Joint Ventures: In May 2011, the IASB issued this set of revised standards, effective for annual periods beginning on or after January 1, 2013. IFRS 10 eliminates the risks and rewards approach included in SIC-12 *Consolidation—Special Purpose Entities*, and instead uses the concept of control (defined by the presence of three elements) as the single basis for consolidation, irrespective of the nature of the investee. The application of IFRS 10 could, in some cases, result in the consolidation of an entity that had not previously been consolidated. The Corporation is currently evaluating the potential impact, if any, of this set of revised standards on CDIC's consolidated financial statements.

IFRS 13 Fair Value Measurement: In May 2011, the IASB issued IFRS 13, a new standard that defines "fair value," and sets out a single framework for measuring fair value and requires disclosures about fair value measurements. The standard is effective for annual periods beginning on or after January 1, 2013, with prospective application required. The Corporation does not expect the new standard to have any material impact on its consolidated financial statements.

IAS 19 Employee Benefits: In June 2011, the IASB amended IAS 19 to eliminate the option to defer the recognition of gains and losses, known as the "corridor method" and require that remeasurements be presented in other comprehensive income. The amendments also require enhanced disclosure requirements surrounding defined benefit plans and related risks. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with early adoption permitted. The Corporation does not expect the amendments to have any material impact on its consolidated financial statements.

IAS 1 Financial Statement Presentation: In June 2011, the IASB amended IAS 1, providing classification guidance on items contained in other comprehensive income. The amendments to IAS 1 must be applied retrospectively for annual periods beginning on or after July 1, 2012. The Corporation does not expect the amendment to have any material impact on its consolidated financial statements. IAS 1 was further amended as part of the *Annual Improvements to IFRS 2009–2011 Cycle* clarifying the requirements for comparative information. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the amendment to have any material impact on its consolidated financial statements.

4 - Investment Securities

Information on the maturity and composition of the Corporation's investment securities is included in the tables below.

(C\$ thousands)	Remaining Term to Maturity March 31, 2013			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	331,012	643,728	-	974,740
Weighted average effective yield (%)	1.02	1.07	-	1.05
Bonds	212,670	583,223	789,850	1,585,743
Weighted average effective yield (%)	1.73	1.42	1.92	1.71
Other	-	-	-	-
Weighted average effective yield (%)	-	-	-	-
Total investment securities	543,682	1,226,951	789,850	2,560,483
Weighted average effective yield (%)	1.30	1.23	1.92	1.46

(C\$ thousands)	Remaining Term to Maturity March 31, 2012			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	74,244	107,831	-	182,075
Weighted average effective yield (%)	0.91	1.03	-	0.98
Bonds	177,986	828,425	1,243,303	2,249,714
Weighted average effective yield (%)	1.59	1.53	1.86	1.74
Other	9,001	-	-	9,001
Weighted average effective yield (%)	0.95	-	-	0.95
Total investment securities	261,231	936,256	1,243,303	2,440,790
Weighted average effective yield (%)	1.38	1.47	1.86	1.66



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(C\$ thousands)	March 31, 2013			March 31, 2012
	Amortized Cost	Gross Unrealized Gains (Losses)	Fair Value	Fair Value
Treasury bills	974,740	193	974,933	182,325
Bonds	1,585,743	12,724	1,598,467	2,267,907
Other	-	-	-	9,001
Total investment securities	2,560,483	12,917	2,573,400	2,459,233

The carrying amounts in the above tables include accrued interest.

5 - Trade and Other Receivables

(C\$ thousands)	March 31, 2013	March 31, 2012
Accounts receivable	77	69
Other receivables	1,468	1,468
Total trade and other receivables	1,545	1,537

As at March 31, 2013, and March 31, 2012, none of the receivable balances were past due and there was no objective evidence of impairment.

The carrying amount of accounts receivable approximate fair value due to their short term to maturity. Other receivables consist of a note receivable due on June 30, 2015, the fair value of which was \$1,455 thousand as at March 31, 2013 (March 31, 2012: \$1,438 thousand).

6 – Property, Plant and Equipment

<i>(C\$ thousands)</i>	Computer Hardware	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance, March 31, 2011	4,435	1,764	4,969	11,168
Additions	622	109	720	1,451
Retirements	(55)	-	-	(55)
Balance, March 31, 2012	5,002	1,873	5,689	12,564
Additions	727	70	673	1,470
Retirements	-	-	-	-
Balance, March 31, 2013	5,729	1,943	6,362	14,034
Accumulated depreciation				
Balance, March 31, 2011	3,345	742	1,145	5,232
Depreciation	642	152	261	1,055
Retirements	(55)	-	-	(55)
Balance, March 31, 2012	3,932	894	1,406	6,232
Depreciation	615	145	326	1,086
Retirements	-	-	-	-
Balance, March 31, 2013	4,547	1,039	1,732	7,318
Carrying amounts				
Balance, March 31, 2011	1,090	1,022	3,824	5,936
Balance, March 31, 2012	1,070	979	4,283	6,332
Balance, March 31, 2013	1,182	904	4,630	6,716

Included in property, plant and equipment at March 31, 2013, is an amount of \$719 thousand relating to leasehold improvements in the course of construction (March 31, 2012: \$720 thousand).



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7 – Intangible Assets

<i>(C\$ thousands)</i>	Computer Software	Computer Software Under Development	Total
Cost			
Balance, March 31, 2011	1,439	487	1,926
Additions—internal development	-	1,656	1,656
Transfers	207	(207)	-
Retirements	-	-	-
Balance, March 31, 2012	1,646	1,936	3,582
Additions—internal development	-	2,620	2,620
Transfers	2,394	(2,394)	-
Retirements	-	-	-
Balance, March 31, 2013	4,040	2,162	6,202
Accumulated amortization			
Balance, March 31, 2011	543	-	543
Amortization	413	-	413
Retirements	-	-	-
Balance, March 31, 2012	956	-	956
Amortization	936	-	936
Retirements	-	-	-
Balance, March 31, 2013	1,892	-	1,892
Carrying amounts			
Balance, March 31, 2011	896	487	1,383
Balance, March 31, 2012	690	1,936	2,626
Balance, March 31, 2013	2,148	2,162	4,310

8 – Deferred Lease Inducement

The Corporation has received lease inducements from one of its landlords, in the form of free rent periods and reimbursements for leasehold improvements. The aggregate benefit of these incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. A total of \$1,299 thousand is expected to be recognized as reduction of operating expenses more than 12 months after March 31, 2013 (more than 12 months after March 31, 2012: \$1,412 thousand).

9 – Provision for Insurance Losses

The provision for insurance losses represents the Corporation's best estimate of the future outflow of economic benefits resulting from the Corporation's duty to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

(C\$ thousands)	Provision for Insurance Losses
Balance, March 31, 2011	1,100,000
Additional provisions	50,000
Balance, March 31, 2012	1,150,000
Additional provisions	100,000
Balance, March 31, 2013	1,250,000



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10 – Financial Instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9 (2009).

(C\$ thousands)	March 31, 2013	March 31, 2012
Cash	422	456
Investment securities	2,560,483	2,440,790
Trade and other receivables	1,545	1,537
Financial assets	2,562,450	2,442,783
Trade and other payables	5,616	3,828
Financial liabilities	5,616	3,828

See Note 4 for additional information on the maturity and composition of the Corporation's investment securities.

Fair Value of Financial Instruments

With the exception of investment securities and certain trade and other receivables, the carrying amounts of the Corporation's financial instruments measured at amortized cost approximate their fair values. The fair values of the Corporation's investment securities are disclosed in Note 4 and are determined based on quoted prices in active markets. The fair value of certain trade and other receivables are disclosed in Note 5 and are based on a discounted cash flow model, discounting expected future cash flows using a discount rate appropriate to a AA-rated counterparty.

Financial Risk Management Objectives

The Corporation's assets consist primarily of its investment securities. CDIC's investment strategy is based on two key principles: limiting credit and market risk to preserve principal; and the use of the investment portfolio as the initial funding source for intervention activity. CDIC has a comprehensive risk management framework to evaluate, monitor and manage its risks. All risks, financial and other, are managed in accordance with an Enterprise Risk Management (ERM) framework which sets out the responsibilities of the Board of Directors. The ERM process and results are subject to review by the Corporation's internal audit function.

Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed regularly, at least annually, in order to ensure that they continue to be appropriate and prudent. Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks.

Credit risk

Credit risk is defined as the risk of loss attributable to counterparties failing to honour their obligation, whether on- or off-balance sheet, to CDIC. CDIC's maximum exposure to credit risk is the carrying amount of cash, investment securities, and trade and other receivables held on the consolidated statement of financial position. None of the trade and other receivables are past due.

The credit risk policy sets out, among other things, that the Board of Directors shall approve investment dealers, securities vendors, agents acting on behalf of CDIC, and others with whom CDIC is authorized to transact with respect to financial transactions. Investments are to be held with approved creditworthy counterparties that must have a minimum credit rating from an external credit rating agency (Standard & Poor's or Moody's). CDIC cannot exceed Board-approved limits for transactions, by transactor, either individually or on a combined basis.

The Corporation's financial risk policies limit investments to the obligations of the Government of Canada and agent Crowns and the obligations of Provincial Governments/Municipal Financing Authorities. Risk is further limited by setting a maximum amount and term for each investment. Counterparties for investments of less than three years must have a minimum credit rating of A. The Corporation's investment securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

Further, CDIC adheres to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* in order to minimize its credit risk.

The following table summarizes the credit quality of CDIC's investment securities by credit rating:

(C\$ thousands) Credit rating	March 31, 2013	March 31, 2012
AAA	2,087,132	1,977,154
AA+	93,791	48,481
AA	143,211	122,315
AA-	141,752	249,327
A+	94,597	43,513
Total investment securities	2,560,483	2,440,790

CDIC may at times intervene in one capacity or another, in providing financial assistance to a troubled financial institution, either in the form of a loan, by guarantee or otherwise. The Corporation could also have to make payment to insured depositors in the event of a member institution failure. The latter action results in claims receivable by the Corporation. Realization on its claims is largely dependent on the credit quality or value of assets held within the estates of failed member institutions, thus exposing CDIC to additional credit risk. The Corporation is closely involved in the asset realization process of these failed institutions in order to mitigate credit risk and minimize any potential loss to CDIC.



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Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to CDIC to honour its cash obligations, whether on- or off-balance sheet, as they arise.

Exposure to liquidity risk relates firstly to funding ongoing day-to-day operations. Potential cash requirements could also arise to fund payouts of insured deposits in the case of a member institution failure or to provide financial assistance for other member intervention activities. The predictability of these events is difficult. The Corporation's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. The Board receives reports on risk exposures (semi-annually) and performance against approved limits (quarterly). The Asset/Liability Committee (ALCO) provides senior management oversight of liquidity risks through their regularly scheduled meetings.

The liquidity risk policy sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting, firstly, the parameters established under all the financial policies, and, secondly, CDIC's mandate and statutory objects. The maturity profile of the portfolio is to be matched against maturing debt, if any, or any other cash outflow requirements and is also to comply with Board-approved term to maturity portfolio allocations.

The Corporation also has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund, subject to ministerial approval. CDIC currently has authority to borrow up to \$19 billion (March 31, 2012: \$18 billion). Under the *Budget Implementation Act, 2009*, the borrowing limit is adjusted annually to reflect the growth of insured deposits.

Market risk

Market risk is defined as the risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market prices (due to changes in interest rates, foreign exchange rates and other price risks).

Principal exposures to market risk relate to the Corporation holding financial assets or liabilities where values are influenced by market conditions, such as its portfolio of investment securities. CDIC's main exposure to market risk is through interest rate risk. The Corporation's exposure to foreign exchange risks and other price risks is insignificant.

Interest rate risk

The Corporation accounts for its investment securities at amortized cost but obtains fair market values for the investment securities on a monthly basis for disclosure and financial risk management purposes. As a result, the Corporation obtains a clear picture of the impact of changes in interest rates on the market value of its investment securities. The difference between the amortized cost of its investment securities and their fair market value is disclosed in Note 4 of these consolidated financial statements. Movement in interest rates can have a significant impact on the Corporation's consolidated financial statements, specifically on its investment income due to the size of its portfolio of investment securities and the relative importance of the revenue it generates. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while diligently respecting approved policies. Interest rate shock analyses are performed on a regular basis on the Corporation's investment securities to evaluate the impact of possible interest rate fluctuations on interest income.

Other financial assets exposed to interest rate risk include cash which is held at short-term interest rates. Such exposure is not significant.

The following table shows how after-tax net income would have been affected by a 100 basis point increase or by a 25 basis point decrease in interest rates based on the investment portfolios at the end of each corresponding fiscal year.

(C\$ thousands)	Increase (Decrease) in Net Income	
	2012/2013	2011/2012
100 basis point increase	7,151	3,752
25 basis point decrease	(1,788)	(938)

Currency risk and other price risk

The market risk policy sets out, among other things, Management's responsibility to not expose the Corporation to any material equity, foreign exchange or commodity related positions. CDIC cannot engage in trading financial instruments other than to meet its liquidity requirements, which are funding day-to-day operations and funding intervention solutions respecting member institutions.

11 - Capital Management

The Corporation's capital is comprised of *ex ante* funding. CDIC is not subject to externally imposed capital requirements. There has been no change in what the Corporation considers as capital and management of capital was performed on a basis consistent with that of the preceding year.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. The Corporation's Board of Directors, on December 7, 2011, approved an increase in the target for the Corporation's *ex ante* fund to a minimum of 100 basis points of insured deposits from a target range of between 40 and 50 basis points.

The Corporation has not yet achieved the target for capital as determined by the *ex ante* funding process. The key mechanism used to manage the level of capital is premium rates.

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Ex Ante Funding

(C\$ thousands)	Actual		Target
	March 31, 2013	March 31, 2012	March 31, 2013
Retained earnings	1,316,280	1,293,537	
Provision for insurance losses	1,250,000	1,150,000	
Total ex ante funding	2,566,280	2,443,537	6,456,094*
Total basis points of insured deposits	40*	39**	100

*Based on level of insured deposits as at April 30, 2012.

**Based on level of insured deposits as at April 30, 2011.

12 - Income Taxes

The Corporation is subject to federal income tax. The Corporation's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act* the Corporation's premium revenue is not taxable.

The following table sets out details of income tax expense recognized in net income:

(C\$ thousands)	2012/2013	2011/2012
Current income tax:		
Current income tax expense	764	2,057
Adjustments in respect of current income tax of previous years	6	20
Deferred tax:		
Relating to the origination and reversal of temporary differences	45	250
Resulting from reduction in tax rate	-	18
Income tax expense recognized in net income	815	2,345

The following table sets out details of income tax expense (recovery) recognized in other comprehensive income:

(C\$ thousands)	2012/2013	2011/2012
Defined benefit plan actuarial gains (losses)	39	(32)
Income tax expense (recovery) recognized in other comprehensive income	39	(32)

The following table presents a reconciliation of the Corporation's recognized income tax expense to income tax expense based on the Canadian federal tax rate:

<i>(C\$ thousands)</i>	2012/2013	2011/2012
Net income before income taxes	23,442	182,491
Tax expense at the Canadian federal tax rate of 25.0% (2012: 26.1%)	5,861	47,679
Non-taxable premium revenue	(30,020)	(58,495)
Increase in non-deductible provision for insurance losses	25,000	13,064
Other	(26)	97
Income tax expense recognized in net income	815	2,345

Deferred tax assets and liabilities are attributable to the following:

<i>(C\$ thousands)</i>	Consolidated Statement of Financial Position		Recognized in Net Income	
	March 31, 2013	March 31, 2012	2012/2013	2011/2012
Property, plant and equipment, and intangible assets	(538)	(454)	(83)	(190)
Holdbacks	13	-	13	-
Lease incentives	353	381	(28)	(48)
Short-term employee benefits	10	10	-	(1)
Defined benefit obligations	284	269	53	(29)
Deferred tax expense			(45)	(268)
Net deferred tax assets	122	206		



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13 – Operating Expenses

(C\$ thousands)	2012/2013	2011/2012
Salaries and other personnel costs	18,185	15,481
Professional and other fees	5,236	4,084
Premises	3,190	3,296
General expenses	3,037	2,435
Public awareness	2,458	3,852
Depreciation and amortization	2,022	1,468
Data processing	1,964	1,621
	36,092	32,237
Expense recoveries from related parties	257	246
Total operating expenses	35,835	31,991

The Corporation provides call centre services on a cost-recovery basis to the Office of the Superintendent of Financial Institutions (OSFI) through an outsourcing arrangement with a third party. In fiscal 2011/2012, the Corporation also provided such services to the Financial Consumer Agency of Canada (FCAC).

14 – Related Party Disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a special purpose entity controlled by the Corporation. CDIC holds no equity interest in ACC; however, CDIC has majority representation on ACC's Board of Directors and is exposed to the majority of the risks and rewards of the special purpose entity by virtue of its outstanding loan to ACC. Based on these facts and circumstances, Management has determined that CDIC controls ACC and is required to consolidate ACC in its financial statements. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this Note.

Although CDIC is a corporation without share capital, its parent is the Government of Canada as all the Directors of the Corporation, other than *ex officio* Directors, are appointed by the Governor in Council or by a minister of the Government of Canada with the approval of the Governor in Council.

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following table discloses significant related party transactions:

(C\$ thousands)	Note	Expense for the Fiscal Year		Capitalized Costs for the Fiscal Year		Balance Payable	
		2012/2013	2011/2012	2012/2013	2011/2012	March 31, 2013	March 31, 2012
Bank of Canada	a	(472)	(549)	2,162	-	(722)	(244)
Public Service Pension Plan	b	(2,394)	(1,869)	-	-	-	-

- a CDIC, OSFI and the Bank of Canada jointly control the Tri Agency Data System (TDS), a database used for collecting financial data from federally regulated deposit-taking institutions. The three parties share equally the operating and capital costs of the system, which the Bank of Canada coordinates.
- b All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. See Note 16 for further details.

Remuneration of Key Management Personnel

The amounts in the table below were recognized as expenses related to Key Management Personnel remuneration.

(C\$ thousands)	2012/2013	2011/2012
Short-term benefits	2,268	1,891
Post-employment benefits	16	48
Termination benefits	243	-
Total Key Management Personnel remuneration	2,527	1,939



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15 - Commitments

The Corporation leases office space in Ottawa and Toronto. The lease of office space in Ottawa ends in September 2020, with two consecutive renewal options, both for five-year terms. The lease of office space in Toronto ends in October 2016, with an option to renew for an additional five years.

Minimum lease payments recognized as an expense for the year ended March 31, 2013, totalled \$1.4 million (2012: \$1.8 million).

The following table shows future aggregate minimum lease payments (exclusive of other occupancy costs) under non-cancellable operating leases:

(C\$ thousands)	March 31, 2013	March 31, 2012
Not later than one year	1,526	1,368
Later than one year and not later than five years	6,317	5,637
Later than five years	4,189	5,277
Total	12,032	12,282

As at March 31, 2013, the Corporation had \$180 thousand in commitments to purchase property, plant and equipment (March 31, 2012: nil).

As at March 31, 2013, CDIC had commitments of \$2,975 thousand in relation to the development of intangible assets (March 31, 2012: \$5,136 thousand).

16 - Post-Employment Benefit Obligations

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions to the Public Service Pension Plan are required from both the employees and the Corporation. As required under present legislation the contributions made by the Corporation to the Public Service Pension Plan are 8.00 times (2012: 8.95 times) the employee's contribution on amounts of salaries in excess of \$150.9 thousand (2012: \$148.0 thousand). For amounts of salaries below \$150.9 thousand, the Corporation's contribution rate depends on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate is 1.64 times (2012: 1.74 times) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate is 1.57 times the employee's contribution.

In the financial statements of the Corporation, the Public Service Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Public Service Pension Plan is provided in Note 14. The only obligation of the Corporation with respect to the pension plan is to make the specified contributions.

Defined Benefit Obligations

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits.

Retirement benefits are provided by the Corporation to certain employees upon retirement based on years of service and final salary. Resignation benefits are provided to certain employees with 10 or more years of continuous employment with the Corporation. The death benefit plan provides a lump sum payment based on salary at the time of death. These benefit plans are unfunded, require no contributions from employees and thus have no assets. The benefit plans have a plan deficit equal to the accrued benefit liability. Benefits are paid from the Corporation's operations.

The most recent actuarial valuation of the unfunded obligations, and the related current service cost and past service cost, was carried out as at March 31, 2013, by an independent actuary, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	March 31, 2013	March 31, 2012
Discount rate	3.73%	4.04%
Rate of compensation increase:		
Fiscal 2012/2013	N/A	1.5% + merit
Fiscal 2013/2014	2.0% + merit	2.0% + merit
Thereafter	2.0% + merit	2.0% + merit

The following table shows amounts recognized in operating expenses in respect of these defined benefit plans:

(C\$ thousands)	2012/2013	2011/2012
Current service cost	166	150
Interest on obligation	74	79
Past service gains	(12)	-
Defined benefit obligations expense	228	229



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The expense for the year is included in operating expenses as salaries and other personnel costs. The following table shows cumulative actuarial gains/losses recognized immediately in retained earnings as other comprehensive income:

<i>(C\$ thousands)</i>	Actuarial Gains (Losses)
Cumulative amount at March 31, 2011	(22)
Recognized during the period	(126)
Cumulative amount at March 31, 2012	(148)
Recognized during the period	155
Cumulative amount at March 31, 2013	7

The amount included in the statement of financial position is equivalent to the present value of the unfunded defined benefit obligation. The following table presents movements in the present value of the defined benefit obligation:

<i>(C\$ thousands)</i>	Defined Benefit Obligations
Balance, March 31, 2011	1,676
Current service cost	150
Interest cost	79
Benefit payments	(268)
Actuarial loss	126
Balance, March 31, 2012	1,763
Current service cost	166
Interest cost	74
Past service gains	(12)
Benefit payments	(16)
Actuarial gain	(155)
Cumulative amount at March 31, 2013	1,820

Selected historical information in relation to the defined benefit obligation is provided below.

<i>(C\$ thousands)</i>	2012/2013	2011/2012	2010/2011	April 1, 2010
Present value of the defined benefit obligation	1,820	1,763	1,676	1,612
Experience gain (loss) arising on plan liabilities	211	27	(28)	
As a percentage of end of period defined benefit obligations	11.6%	1.5%	-1.7%	

17 – Premium Revenue

Under CDIC's *Differential Premiums By-law*, members are classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for the 2012/2013 fiscal year are as follows:

Premium Category (basis points of insured deposits)	2012/2013	2011/2012
Category 1	2.8	2.8
Category 2	5.6	5.6
Category 3	11.1	11.1
Category 4	22.2	22.2

Premium revenue of \$120 million was recorded during the year, compared to \$224 million for the same period last year, a 46% decrease. The decrease in premium revenue reflects the impact of a one-time incentive offered to eligible member institutions for early compliance with CDIC's *Data and System Requirements By-law*, and the impact of changes in member classification under the *Differential Premiums By-law*, partially offset by higher insured deposits.

18 – Reclassification of Prior Year Comparative Figures

The Corporation has reclassified certain comparative figures in the consolidated statement of cash flows to conform to the current presentation which provides more relevant information about CDIC's cash flows. The reclassification was immaterial and did not have an impact on the consolidated statement of financial position or the consolidated statement of comprehensive income. As a result, a third consolidated statement of financial position, as at April 1, 2011, and the related note disclosures, have not been provided.



PART THREE

Corporate
Governance

Corporate Governance

CDIC remains committed to and maintains a strong governance framework. This section of our *Annual Report* presents information about the CDIC Board of Directors, including its committees and attendance. It also outlines how CDIC works to meet public service expectations in the area of good governance.

More About Governance

For additional information on how CDIC is governed, including information about Board and committee charters, mandates and Directors, please visit our website at www.cdic.ca.

Board of Directors

CDIC's affairs are administered by its Board, made up of a Chairperson, five other private sector Directors and five *ex officio* Directors (the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Financial Institutions (OSFI), a Deputy Superintendent of Financial Institutions or another officer of OSFI appointed by the Minister of Finance, and the Commissioner of the Financial Consumer Agency of Canada (FCAC)).

CDIC's Board of Directors oversees the strategic direction of the Corporation and ensures that significant business risks are identified and well managed. The Board's commitment to effective stewardship and its overall mandate are outlined in its charter. An overview of the composition of CDIC's Board of Directors and of its supporting committees follows.



Board of Directors Composition



Bryan P. Davies

Chair

Joined: June 2006

Re-appointed as Chair for a five-year term, effective June 2011

Private Sector Directors



George Burger

Business Executive
Toronto, Ontario

Joined: November 2010

Appointed for a three-year term



Les Cannam

Chartered Accountant
Saskatoon, Saskatchewan

Joined: January 2009

Board member from January 2009 to June 2012



John S. McFarlane

Lawyer
Halifax, Nova Scotia

Joined: September 2008

Re-appointed September 2011 for a three-year term



Éric Pronovost

Chartered Accountant
Trois-Rivières, Québec

Joined: September 2008

Re-appointed September 2011 for a three-year term



Shelley M. Tratch

Lawyer
Vancouver, British Columbia

Joined: December 2006

Re-appointed February 2013 for a three-year term



Angela Tu Weissenberger

Economist
Calgary, Alberta

Joined: June 2012

Appointed for a three-year term

Ex Officio Directors



Mark Carney

Governor
Bank of Canada

Joined: February 2008

Appointed for a seven-year term



Julie Dickson

Superintendent
of Financial Institutions
Office of the Superintendent
of Financial Institutions

Joined: October 2006

Appointed for a seven-year term



Michael Horgan

Deputy Minister
Department of Finance

Joined: September 2009

Appointed to hold office during pleasure



Ursula Menke

Commissioner
Financial Consumer
Agency of Canada

Joined: December 2007

Appointed for a five-year term



Ted Price

Deputy Superintendent
Office of the Superintendent
of Financial Institutions

Joined: January 2007

Appointed pursuant to s. 5(1)(b.1) of the CDIC Act

Alternates (for Ex Officio Directors)



Agathe Côté

Deputy Governor
Bank of Canada

Designated Alternate:

August 2010



Jeremy Rudin

Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance

Designated Alternate:

October 2008

Names in bold denote current Board members.

Board Committees

Four committees supported the Board in its governance activities throughout 2012/2013: the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee, and the Executive Committee.

Audit Committee

Mandate:

The Audit Committee oversees internal and external audits and risk management, and advises the Board on financial issues, including the review and approval of quarterly financial reports, and the review of the Management's Discussion and Analysis (MD&A) section of CDIC's *Annual Report* (which includes the consolidated financial statements).

Composition:

- **É. Pronovost (Chair)**—Member since September 2008 and Chair since June 2009
- **G. Burger**—Member since January 2011
- **J.S. McFarlane**—Member since September 2008
- **T. Price**—Member since January 2007
- **A. Tu Weissenberger**—Member since June 2012

Human Resources and Compensation Committee

Mandate:

The Human Resources and Compensation Committee reviews and advises the Board on human resource issues including: policies, succession planning, Chief Executive Officer (CEO) performance management, compliance with standards of business conduct and ethics, statutory requirements, and compensation.

Composition:

- **S.M. Tratch (Chair)**—Member since January 2007 and Chair since February 2008
- **B.P. Davies**—Chair from September 2006 to February 2008 and Member since September 2006
- **J. Dickson**—Member since February 2008
- **J.S. McFarlane**—Member since September 2008
- **A. Tu Weissenberger**—Member since June 2012



Governance and Nominating Committee

Mandate:

The Governance and Nominating Committee ensures that appropriate structures and processes are in place for effective oversight of and direction for CDIC's activities, including the Corporation's public awareness strategy and campaign.

Composition:

- **J.S. McFarlane (Chair)**—Chair since January 2011
- **G. Burger**—Member since January 2011
- **B.P. Davies**—Chair from June 2006 to June 2009 and Member since June 2006
- **U. Menke**—Member since February 2008
- **S.M. Tratch**—Member since January 2007

Executive Committee

Mandate:

The Executive Committee meets when required, at the request of the Board, the Chairperson, or the President and CEO, to review any matter referred to it by any of them that would not be considered within the mandate of any other Committee of the Board; and to carry out such other functions as are assigned or delegated to it by the Board.

Composition:

- **B.P. Davies (Chair)**—Member and Chair since June 2006
- **M. Carney**—Member since February 2008
- **S.M. Tratch**—Member since January 2009

Board and Committee Meetings and Attendance (April 1, 2012, to March 31, 2013)

Board members' attendance at the Board meetings and the Board Committee meetings in respect of which they are members is summarized below.

	Board Committees				
	Board of Directors	Executive Committee	Audit Committee	Governance and Nominating Committee	Human Resources and Compensation Committee
Number of Meetings^a	6 ^b	0	4	3	4
Attendance					
Private Sector Directors					
B.P. Davies—Chair	6	N/A	3 ^c	2	4
G. Burger	5		4	3	
J.S. McFarlane	6		4	3	4
É. Pronovost	6		4		
S.M. Tratch ^d	6	N/A		3	4
A. Tu Weissenberger ^e	6		3		3
Directors who departed during the year					
L. Cannam ^f	0		1		1
Ex Officio Directors (Alternates)					
Bank of Canada— M. Carney (A. Côté)	5 (5)	N/A			
Superintendent of Financial Institutions— J. Dickson	6				4
Office of the Superintendent of Financial Institutions— T. Price	4		4		
Department of Finance—M. Horgan (J. Rudin)	1 (5)				
Financial Consumer Agency of Canada— U. Menke ^g	5			3	

^a Also includes meetings attended by telephone.

^b Includes a Strategic Planning Session of the Board and a Briefing Session.

^c The Chair of the Board is invited to Audit Committee meetings but is not a Committee member.

^d S.M. Tratch was re-appointed on February 7, 2013, as a Director for a three-year term.

^e A. Tu Weissenberger was appointed on June 8, 2012, as a Director for a term of three years. She was also appointed as a Member of both the Audit Committee and the Human Resources and Compensation Committee, effective June 13, 2012.

^f L. Cannam ceased to be a Director on June 8, 2012.

^g U. Menke was re-appointed as Commissioner of the Financial Consumer Agency of Canada for a term of six months, effective December 3, 2012.



Directors' Fees

In 2012/2013, private sector Directors' fees for the performance of their services in respect of their office totalled \$106,247 (compared to \$85,376 in 2011/2012).

Executive Team

CDIC's executive team is comprised of its President and CEO, along with four vice-presidents, each responsible for a Division within the Corporation. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. The salary range for the current CEO is set between \$251,800 and \$296,200. CEO performance objectives are determined and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals which, as at March 31, 2013, was \$181,906 to \$242,527. CDIC's officers, as of March 31, 2013, are set out below.

Michèle Bourque

President and CEO

Dean A. Cosman

Vice-President, Finance and Administration, and Chief Financial Officer

M. Claudia Morrow

Vice-President, Corporate Affairs, General Counsel and Corporate Secretary

Thomas J. Vice

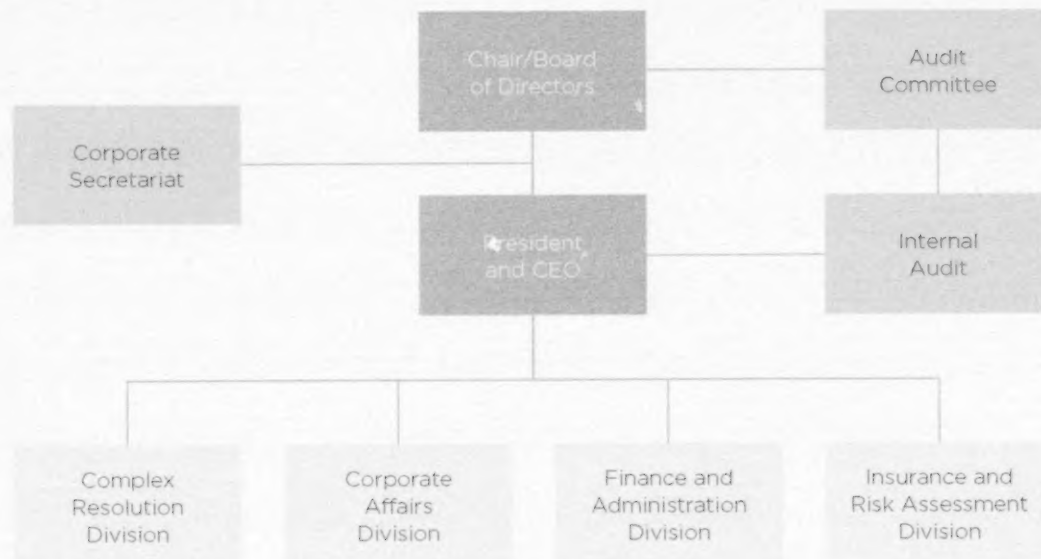
Vice-President, Complex Resolution Division

Vacant

Senior Vice-President, Insurance and Risk Assessment

Travel and hospitality expenses for CDIC's officers are disclosed quarterly on the Corporation's website (www.cdic.ca).

CDIC's Organizational Structure as at March 31, 2013



Addressing Public Service Expectations

Ethical Behaviour and Integrity

Promoting ethical behaviour and integrity is an important focus for CDIC. Adherence to our codes and ethics-related policies is a condition of employment. Directors and employees must confirm their compliance with their respective codes annually. CDIC employees are also subject to the *Values and Ethics Code for the Public Sector*. Compliance with the codes and other ethics-related corporate practices is reported to the Audit Committee and the Human Resources and Compensation Committee.

Ethics Training

Mandatory employee ethics training is conducted every two years. In our most recent session (March 2012) employees were required to review CDIC policies and codes related to business conduct and ethical behaviour through online tools.

Annual Public Meeting

In October 2012, CDIC hosted its Annual Public Meeting (APM) in Saskatoon, Saskatchewan, in collaboration with Advocis, the Financial Advisors Association of Canada. The APM is an opportunity for CDIC to provide information to stakeholders and the public on our services and mandate, as well as to answer any questions.



Glossary



Glossary

Basel III Accord: The third of the Basel Accords, Basel III was developed in a response to deficiencies in financial regulation revealed by the global financial crisis. It is meant to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. (*Accord de Bâle III*)

Basis Point: One basis point is equivalent to 0.01%. (*Point de base*)

Bridge Bank: A CDIC member institution, established temporarily, designed to preserve critical functions of the institution and help maintain financial stability in the event that a CDIC member is no longer viable. (*Institution-relais*)

Deposit: As defined in the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*), a deposit is the unpaid balance of money received or held by a CDIC member institution from or on behalf of a person in the usual course of deposit-taking business for which the member:

- (a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and
- (b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. (*Dépôt*)

Eligible Deposit: To be eligible for CDIC deposit insurance protection, deposits must be: in Canadian currency; payable in Canada; repayable no later than five years from the date of deposit; and held in a financial institution that is a CDIC member. Eligible deposits are: savings and chequing accounts; term deposits, such as Guaranteed Investment Certificates (GICs); money orders; drafts; certified drafts and cheques. Not all deposits are eligible; for example, foreign currency deposits and investments in mortgages, stocks and mutual funds are not covered by CDIC. (*Dépôt assurable*)

Ex Ante Funding: The accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution which, in the case of CDIC, is the aggregate of the retained earnings and the provision for insurance losses. (*Financement ex ante*)

Ex Officio: Holding a second position or office by virtue of being appointed to a first. For example, when individuals are appointed to certain senior government positions (Governor of the Bank of Canada, Superintendent or Deputy Superintendent of Financial Institutions, Deputy Minister of Finance, or Commissioner of the Financial Consumer Agency of Canada), they automatically become members of CDIC's Board of Directors, and continue as Directors as long as they hold those positions. (*Nommé (ou membre) d'office*)

Failure Resolution: The process of arranging the orderly resolution of the business and affairs of a failed member, either as a going-concern solution or as a winding up. (*Règlement de faillite*)

Fast Insurance Determination: The ability to quickly determine the amount of insured deposits owed to depositors. (*Accélération du calcul des dépôts à rembourser*)

Financial Institution Restructuring Provisions: Provisions of the *CDIC Act* whereby an order may be made by the Governor in Council, to carry out a transaction or a series of transactions to restructure a substantial part of the business of a failing or failed member institution. (*Programme de restructuration des institutions financières*)



Financial Stability Board: A body established to coordinate internationally the work of national financial authorities and international standard-setting bodies, and to develop and promote effective regulatory, supervisory and other financial sector policies in the interest of financial stability. (*Conseil de stabilité financière*)

International Financial Reporting Standards (IFRS): Standards for accounting and reporting, developed and revised by the International Accounting Standards Board (IASB) to support reliable and relevant reporting that is understandable and comparable across international jurisdictions. IFRS have increasingly replaced national financial reporting standards. (*Normes internationales d'information financière*)

Joint Deposit: A deposit jointly held by two or more owners, all of whom are identified on the records of the member institution holding the deposit as having an interest in the deposit. (*Dépôt en commun*)

Member Institution: A bank, trust company, loan company, federal credit union, or an association governed by the *Cooperative Credit Associations Act* whose deposits are insured by CDIC. (*Institution membre*)

Non-Payout Resolution: The resolution of a failing or failed member institution through methods and approaches that do not involve a payout to depositors. Alternatives can include establishing a bridge bank (see "Bridge Bank") and assisting with the sale of all or part of the institution. (*Règlement autre qu'un remboursement*)

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. CDIC may make a payment of deposit insurance in one of two ways: (1) by issuing cheques to insured depositors; and/or (2) by providing insured depositors with new demand deposits at another member institution. (*Remboursement des dépôts assurés*)

Premium Year: The period beginning on May 1 in one year and ending on April 30 in the next year. (*Exercice comptable des primes*)

Premiums: The amount that is payable to CDIC by a member institution for deposit insurance coverage. It is calculated annually as a percentage of the total eligible insured deposits that are held by the institution as of April 30. CDIC has a differential premiums system in which institutions are classified in one of four premium categories. Institutions classified in the best premium category pay the lowest premiums. (*Primes*)

Provision for Loss: The amount set aside on a balance sheet to provide for anticipated or possible loss or expenditure. CDIC maintains a provision for insurance losses that reflects the organization's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. (*Provision pour pertes*)

Tax-Free Savings Accounts: A Tax-Free Savings Account (TFSA) is a way for residents of Canada to set money aside, tax-free, throughout their lifetime. The TFSA rules allow a variety of financial products and other types of investments to be held in a TFSA. In the 2009 Federal Budget, the Government amended the *CDIC Act* to provide separate coverage for TFSAs; however, only eligible deposits held in a TFSA are covered by CDIC. (*Compte d'épargne libre d'impôt*)

Tier 1 Capital Ratio: The ratio of a bank's core equity capital to its risk-weighted assets. (*Ratio de fonds propres de catégorie 1*)